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POLITICS TODAY
New light on the Green faith
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World News

Bombings in Colombia as drugs war intensifies

Eight explosions at the offices of politicians and political parties rocked Bogota in the broadest wave of explosions since drug traffickers declared war on the Colombian establishment. Related report and Background, Page 7

Thatcher cautions

British Prime Minister Margaret Thatcher foreshadowed her weekend talks in Moscow with President Mikhail Gorbachev with a warning that the West must not weaken its defences. Page 20

Arafat backs Egypt

PLO leader Yassir Arafat endorsed Egyptian efforts to promote Middle East peace in a news conference in Cairo dominated by a spirited discussion with Israeli journalists. Page 4

USAir jet crashes

A USAir Boeing 737 skidded into New York's East River in an aborted take-off but police boats, small craft and scuba divers saved all but two of the 63 people on board. Picture Page 7

Colombo ceasefire

The Sri Lankan Government declared a unilateral three-day ceasefire with left-wing Sinhalese rebels starting next week.

Texas crash kills 16

Sixteen people were killed when a school bus carrying at least 65 youths collided with a truck in Mission, Texas and plunged into a water-filled gravel pit.

Thais expel Burmese

Thailand has expelled 200 Burmese students who fled to the western border town of Mae Sot after an army crackdown in Rangoon last year.

US troops move in

More than 1,000 US troops headed for the Caribbean island of St Croix to try to halt looting sparked by Hurricane Hugo.

French rail tests

The inaugural demonstration of France's new high-speed rail line between Paris and the West showed the "TGV-Atlantique" can reach speeds of 300kmh. Page 2

Lebanese shot dead

An assassin killed a moderate Sunni Moslem Lebanese parliamentarian, Nazem Qadri, in Beirut.

European troop cuts

Nato and the Warsaw Pact could sign a long-awaited treaty as soon as next year to cut weaponry and troop levels in Europe as a result of new Nato proposals.

Death camp move

Cardinal Jozef Glemp, the Roman Catholic Primate of Poland, said that the Carmelite convent which is situated on the site of the Auschwitz death camp should be moved as soon as possible. Page 2

Satanic Verses held

German publishers of The Satanic Verses are withholding the controversial novel by Salman Rushdie from Frankfurt's prestigious book fair.

Whales ahigh

Members of the Greenpeace environmental group protesting against Japanese whaling flew a whale-shaped balloon from Switzerland's 3,475-metre Jungfraujoch mountain pass.

Business Summary

British Rail says Channel link could cost £4.5bn

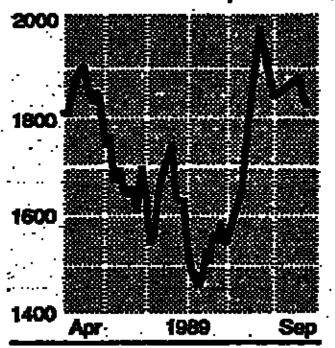
THE joint venture company being negotiated by British Rail and two private sector consortia to build the Channel Tunnel link line might need to raise as much as £4.5m ($7bn) after allowing for inflation but not interest charges.

This is an approximate figure - more than £1bn higher than previously leaked estimates - because British Rail and two interested private sector consortia disagree over 60 environmental improvements which BR executives say are needed to get parliamentary approval. Page 20, Background Page 8

COPPER: prices eased on the LME with cash metal falling £12 to £1,813 a tonne – a discount to the three-month price

Copper

Cash metal Grade 'A' £ per tonne



of £3. The decline followed liquidation by commission houses but halted on merchant buying. Commodities, Page 46

CO OP: criminal investigations into the troubled West German retailer whose shares resumed trading in Frankfurt, widened to include the board of the holding company representing the country's trade union movement. Page 21

EAGLE Trust: creditor banks for the UK industrial holding company which is the subject of a Serious Fraud Office investigation, demanded the resignation of Malcolm Stockdale, the chairman and chief executive. Page 8

MANNESMANN AG, W German engineering group, and TI of the UK announced a strategic alliance cemented by a 5 per cent stake Mannesmann is taking in the British concern. Page 21

CREDIT cards: the European market for credit and charge cards is nationally fragmented and largely uncompetitive on prices, according to a study by a European consumer watchdog. Page 2

ARAB Banking Corporation, a Bahrain-based bank owned by Libya, Kuwait and Abu Dhabi, became the first Arab bank to receive an international credit rating from the US agency Standard and Poor's International. Page 26

CHARTERHOUSE, UK merchant bank, is launching a £100m ($157m) fund, which will invest in corporate restructurings, recapitalisations and management buy-outs and buy-ins in Europe. Page 26

JACOBS Suchard, the Swiss chocolate and coffee group, reported a 6.6 per cent increase in first-half sales to SFr3.14bn ($1.87bn). Page 23

COATS Viyella, biggest textile group in Europe, is still suffering from the slump in the UK textile industry and saw pre-tax profits fall from £76.0m ($119m) to £55.2m in the first half of the year. Page 21

RMC Group, world's biggest producer of ready-mixed concrete increased pre-tax profits by 34 per cent to £115.5m ($181m) during the first six months of this year,

JAPAN'S GNP contracted by 3.1 per cent on an annualised rate in the second quarter after 9.1 per cent growth in the first quarter, as expected. Page 4

Ferranti agrees £300m credit plan with banks

By Hugo Dixon and Terry Dodsworth in London

THE UK Ministry of Defence yesterday issued a strong statement of support for Ferranti International Signal, as the stricken defence electronics group agreed a new £300m ($470m) credit package with its banks.

The flurry of announcements marked the first stage in Ferranti's battle to put its business, shaken by a suspected £150m fraud scandal, back on an even keel.

They could pave the way for a resumption next week of trading in the company's shares, suspended earlier in the month.

The MoD statement was seen as an attempt to bolster confidence among Ferranti's sub-contractors.

It may also be designed to counter the damage caused by a warning from the four-nation Eurofighter consortium to its members to take care before placing any new contracts with the company.

The MoD stressed that Ferranti remained "an important and valued supplier. In addition to some £450m of business currently with the company, we are continuing to discuss further requirements with them."

While the MoD does not appear to have a blue-print for tackling Ferranti's long-term problems, it has initiated discussions with other UK defence contractors such as British Aerospace and the General Electric Company.

One school of thought within the ministry is said to take the free market view of leaving Ferranti to sort out its own problems.

However, another is worried about the political implications of any Ferranti collapse or if the company were taken over by foreign interests.

There is particular concern about the impact in Scotland, where Ferranti employs 8,000 people near Edinburgh.

The opposition Labour Party stepped up pressure for Government action yesterday, when Mr Ron Brown, MP for Leith, accused the Government of complacency. "We want this company to survive, we don't want predators to come in."

The banking package includes a promise by Ferranti to raise £100m from selling peripheral businesses.

Ferranti refused to say which businesses were for sale, but the prime candidate is understood to be Marquardt, a US specialist in arms and chemical weapons.

Marquardt, valued at about £70m, was one of the companies acquired as part of Ferranti's ill-starred purchase of International Signal & Control, where the current financial crisis originated. The other leading contenders for sale are also former ISC companies in the US.

Ferranti is understood to remain committed to its investment in Zonephone, its UK pocket-phone business, and OTE, its Italian communications subsidiary.

It also intends to keep its Defence Systems and Computer Systems businesses which are the core of its defence electronics activities.

In addition to disposals, Ferranti believes it will need an equity injection of between £100m and £200m to get it back on to a sound basis.

The company thinks it can achieve this by selling a stake of up to 30 per cent in the group to an industrial partner.

It is talking to a number of UK and international defence groups about this and other options.

The banking package allows Ferranti to borrow up to £300m. At present, it has debt of £250m – about half in commercial paper form.

As a result of the scandal, Ferranti is not going to be able to roll over its short-term commercial paper for a further period and will therefore be wholly dependent on bank finance.

The replacement of commercial paper will add to Ferranti's already steep interest bill. The company will pay an extra margin of about $\frac{1}{16}$ of a percentage point.

Lex, Page 20;
Background, Page 28

Court backs investigative powers for Commission

By Tim Dickson in Brussels

THE European Commission's powers to investigate companies suspected of operating illegal cartels were defined in a landmark ruling handed down yesterday by the European Court of Justice.

As a result, legal experts believe that the authority of Brussels to crack down on anti-competitive agreements in all industries may have been strengthened.

In the complex judgment against an appeal by the West German chemicals company Hoechst – which was the subject of a bitterly-contested dawn raid early in 1987 – the court sought to lay down new ground rules for future searches of this kind, notably when the demands of Brussels investigators to enter premises are refused.

Sir Leon Brittan, the EC Commissioner for Competition Policy, welcoming the verdict last night, said: "The judgment sets out clearly how the Commission, in carrying out investigations, and the national authorities assisting them, should do their jobs."

Hoechst, meanwhile, was also claiming some success.

A statement by the company said that despite the dismissal of its complaint it had won an important principle by ensuring the "procedural guarantees" of national legal systems.

At the heart of the case was Hoechst's claim that the Commission had infringed its basic rights by demanding access to its Frankfurt offices in pursuit of an alleged PVC and polyethylene cartel, and the West German company's insistence that this could only be done with a search warrant issued by a court.

Among the important points made in the ruling, the European judges pointed out that fundamental rights enshrined in EC law, such as the right to privacy, applied to individuals rather than companies.

They also rejected Hoechst's claim that Commission searches should be restricted to documents specified by the investigating team, thereby upholding the Commission's right to carry out general investigations (as, for example, when its officers are not sure exactly what they are looking for).

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UK declines to refer Hoylake's BAT bid to monopolies body

By Nikki Tait in London

MR NICHOLAS RIDLEY, Britain's Secretary of State for Trade and Industry, ruled yesterday that the £13.5bn ($21bn) bid by Sir James Goldsmith's Hoylake consortium for BAT Industries, the tobacco-based conglomerate, should not be referred to the UK Monopolies and Mergers Commission.

BAT had acknowledged that there were no direct competition issues involved in the bid. However, it had been seeking a referral on the grounds that Hoylake's offer involved a high degree of borrowing.

Partly because of the form of leverage involved, BAT argued that there were implications for the vulnerability of UK companies in general.

Its case had been supported by the Confederation of British Industry, the employers' organisation, and some MPs.

BAT responded to Mr Ridley's decision by saying that a referral "would have provided an opportunity for the Government to build a coherent policy on the controversial question of highly-leveraged bids for major companies using junk bonds, with their negative potential for the markets, for companies and for small shareholders."

Mr John Banham, CBI director-general, said on BBC Radio: "An economy which habitually confuses financial engineering with the real thing is heading for deep trouble in the long run."

The decision was also attacked by Mr Bryan Gould, the opposition Labour Party's trade and industry spokesman.

However, the Department of Trade and Industry stressed that Mr Ridley's decision had been taken on normal competition criteria, and that he was adhering to the policy set out by his predecessor, Lord Young last year.

Lord Young had said that leverage would not normally constitute grounds for a reference, but that there could be a case for referral if high leverage combined with some other feature of the bid had potentially undesirable effects.

The DTI added, however, that the matter "might fall to be reconsidered if there is a material change in the terms of the bid or any other material facts."

There were suggestions that this caveat had been added because of the unusual timetable of the offer. Following a

Continued on Page 20
Lex, Page 37; Market report, Page 37

S African black trade unions call consumer boycott

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S largest black trade unions have called for a nationwide consumer boycott and overtime ban from today, the first time such action has been planned on a national basis.

The call forms part of a campaign to protest at harsh new labour laws which restrict the right to strike by banning sympathy and repeat strikes and making unions financially liable for illegal strike action.

Union officials said their earlier call for a month-long consumer boycott to begin on September 13 had been postponed because of the difficulties of organising nationwide action. A two-week boycott was now planned, to begin today.

The two union federations which issued yesterday's boycott call, the Congress of South African Trade Unions and the National Council of Trade Unions, proved earlier this month that they could organise national protest action when they mounted a general strike to mark the September 6 general elections. Some 3m workers and students are believed to have participated in that strike.

Union officials said they expected a high degree of support for the indefinite overtime ban, given the strength of workers' resistance to the year-old Labour Relations Amendment Act.

A nationwide consumer boycott could prove much more difficult to sustain, however. Union officials noted that earlier local boycotts, which focused on a specific community issue, had proved very successful in some cases. Boycotts in the Transvaal towns of Carletonville and Boksburg, for example, called to protest at the reintroduction of petty apartheid by Conservative town councils, put a serious financial strain on white-owned businesses.

A national boycott organised around an issue relevant mainly to unionists might be much more difficult to mount. However, the limited duration of the boycott should improve its chances of success. Previous actions have been long enough to demand serious sacrifices from consumers.

The current boycott is ambitious in scope, calling on consumers to withdraw their purchasing power from all white-owned businesses, and

Continued on Page 20

IMF director calls for big rise in quotas

By Peter Norman, Economics Correspondent, in Washington

THE International Monetary Fund needs substantial additional resources so that it is able to tackle economic crises in industrialised countries as well as in the developing world, Mr Michel Camdessus, its managing director, said yesterday.

He presented his case for a doubling of quota subscriptions from member countries at a press conference in Washington as the world's top finance officials started to gather for weekend meetings before the annual conferences of the Fund and World Bank, which begin formally on Tuesday.

The IMF had to be ready to help all economies, industrialised and developing alike, Mr Camdessus said. In the 1970s, it assisted industrialised countries suffering balance-of-payments crises, including Britain. He also recalled the IMF's help to the US in 1979 when it was called upon to stabilise currency markets.

Mr Camdessus' reference to past IMF help for the US hinted at his greatest concern: that the US may one day face a financial and economic crisis because of its persistent current account and budget deficits.

His remarks about possible risks in industrial countries threw an entirely new light on his vigorous campaign for a large increase in IMF subscriptions or quotas from their present level of Sdr90bn ($72.4bn).

Although he gave no precise details of his fears, it appeared that he was far less sanguine about the world economic outlook than are financial markets and many finance ministers in major industrialised countries.

In a speech in Washington earlier this month, the IMF managing director said that the 1990s promised to be a "difficult decade". Among the risks facing the world, he pinpointed the large external imbalances among the leading industrial countries which he said had been "unduly protracted" and were a long way from being within manageable bounds.

The US, Britain and Saudi Arabia are resisting a substantial increase in IMF quotas. Mr Nigel Lawson, Britain's Chancellor of the Exchequer, has criticised Mr Camdessus' demand for a quota doubling as "enormously ambitious" and said Britain would support a 25 per cent increase at most. With 19.9 per cent of Fund votes, the US can block any quota increase.

Yesterday, Mr Camdessus said countries with 70 per cent of Fund votes supported a quota increase of at least two thirds. He pointed out that the IMF needed a big quota increase to keep pace with growth of the world economy over the past five years and an expansion in the number of IMF-backed economic reform programmes for countries in trouble.

The Fund must be equipped for the unexpected, he said. When previous quota increases were discussed in the early 1970s and the early 1980s, nobody forecast the oil price shock of 1974 or the outbreak of the international debt crisis in 1982.

However, Mr Camdessus said it would not be a serious problem if the size of the quota increase was not agreed at Sunday's meeting of the IMF's policy-making Interim Committee or the IMF annual meeting itself. With sufficient guidance, the IMF's executive board could take the decision before the end-year deadline.

Mr Camdessus said one of the greatest difficulties facing the world was helping the Eastern European countries to develop market-oriented economies. He said the Polish Prime Minister had asked the IMF to begin talks on the issue.

He said Eastern Europe had to recreate entrepreneurial attitudes and lift price controls while tackling a heavy debt burden. However, he said there was no need for a new IMF facility for Eastern Europe.

Bundesbank warns on inflation risks

The West German central bank yesterday indicated in its latest monthly report that it would raise interest rates further if inflation appeared to be moving out of control. Page 20

Japan to point to strength of dollar

Japan is expected to tell the US at tomorrow's meeting of G7 finance ministers that the dollar is "too high" trading at about Y145. Page 4

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.577	New York lunchtime: DM1.948, FFr6.587, SFr1.688, Y145.9	FT-SE 100: 2,380.9 (+11.1)
London: $1.581 (1.582), DM3.0725 (3.07), FFr10.3875 (10.37), SFr2.66 (same), Y229.75 (229.5), £ index 91.6 (same)	London: DM1.944 (1.9405), FFr6.57 (6.555), SFr1.683 (1.681), Y145.3 (145), $ index 71.6 (71.4), Tokyo close: Y145	FT Ordinary: 1,962.9 (+8.3); FT-A All Share: 1,206.32 (+0.4%); FT-A long gilt yield index high coupon: 9.57 (9.56)
GOLD New York: Comex Dec $370.3 (370.1); London: $363.5 (same)	US LUNCHTIME RATES Fed Funds $8\frac{15}{16}$%; 3-mo Treasury Bills: yield: 8.06%; Long Bond: $99\frac{11}{16}$; yield: 8.15%	New York lunchtime: DJ Ind. Av. 2,699.09 (+15.20); Tokyo: Nikkei 34,745.02 (+274.44)
N SEA OIL (Argus) Brent 15-day $17.85 (+0.025)		LONDON MONEY 3-month interbank: closing $13\frac{32}{32}$% (same)

Chief price changes yesterday: Page 21

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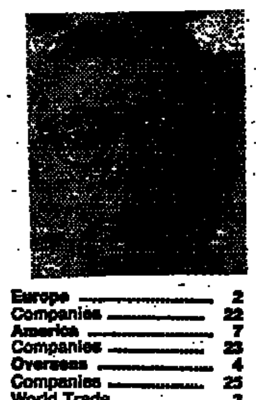
Barco faces domestic obstacles in his war on drugs barons



President Virgilio Barco (left) of Colombia is enjoying little credit at home for the anti-drugs war which has won him applause abroad. Public identification with the government's battle against drug barons is already melting away.
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Dumas launches attempt to boost European TV

By William Dawkins in Paris

MR ROLAND Dumas, the French Foreign Minister, yesterday inaugurated an international campaign to boost the European television broadcasting industry's flagging competitiveness.

The French Government and the European Commission have jointly called 300 broadcasting experts from 27 European countries to a three-day meeting in Paris at the end of next week to hammer out common action to improve their broadcasting industries' ability to compete against US programmes.

Paris is hosting the event, dubbed the Assises Europeenes de l'Audiovisuel, as President of the EC, although it will also embrace the 17 member states of the Council of Europe, the Strasbourg-based human rights and cultural policy organisation, plus the Soviet Union, Hungary, Czechoslovakia and Poland.

"In this enterprise, Europe is seeking an indentity for itself that is not expansionist and is not protectionist," insisted Mr Dumas.

The Commission will use the results of the conference to draw up an outline proposal for the next stage of EC television policy, to be presented to the next summit of Community leaders in Strasbourg in December.

The main aim of the conference will be to find ways to help the European industry make up an enormous shortfall in its ability to supply the EC market.

Mr Dumas said the European industry was now only producing 2,500 hours of fiction programming annually, out of the EC market's need for 16,000 hours of fiction programming per year.

Next week's conference comes in the wake of US complaints that the Hollywood film industry is being unfairly discriminated against by an EC proposal to limit free European distribution rights to television channels containing at least half European programmes.

"Those who speak of protectionism had better look at their own markets," said Mr Dumas.

The conference ends only a day before a meeting of EC Foreign Ministers on October 3, chaired by Mr Dumas, is due to try to make a final decision on the controversial cross-frontier broadcasting scheme.

He felt confident that the French Presidency would bring the issue to a conclusion before its term ends at the end of the year.

Watchdog condemns credit card 'monopoly'

By Richard Lambert in Brussels

THE European market for credit and charge cards is nationally fragmented and largely uncompetitive on prices, according to a study released in Brussels yesterday by a European consumer watchdog.

The study says that the market is dominated by four main companies: Eurocard-Access, Visa, American Express and Diners Club.

It accuses them of confusing the public by providing insufficient and sometimes misleading information, and of acting in a monopolistic manner. The survey takes in eight EC member states, along with Austria and Sweden, and concludes that there is no price competition between different countries.

For example, the annual user fee for a Eurocard-Access is put at 13 Ecu in Ireland, 19 Ecu in France, 48 Ecu in West Germany and as much as 59 Ecu in Denmark.

It also claims that there is little if any competition within individual countries, where price similarities between rival cards are described as startling. Thus American Express and Diners Club are said to charge the same annual user fees within Belgium, Ireland and the UK, and there is a similar lack of price competition in Spain.

"There is little price competition and little incentive to improve the efficiency of the system and lower costs since these are partly covered by the increase in the price of goods, imposed to cover the retailers' fees," it adds.

The European Office of Consumer Organisations says that credit cards have a large potential as an important international payment system. But apart from unnecessarily high costs, the cards are not always freely available.

Low income groups, the elderly and people who do not hold bank accounts can be denied cards.

This limits the financial risk of the company involved, but it also "unjustly prevents certain groups from using credit cards as a means of payment."

The report concludes that minimum levels of consumer protection are required on a European-wide basis.

It rejects suggestions by the banks that a European code of practice should be introduced, and says that nothing less than a *directive from the European Commission* will do the job.

Muscovites demonstrate in favour of maverick politician Boris Yeltsin and two controversial prosecutors. The Communist Party newspaper, Pravda, yesterday offered Mr Yeltsin a rare apology after accusing him of drunkenness during his US trip, a charge which a Soviet parliamentary committee condemned as "gutter press" tactics.

Paradox of the Gorbachev purge

The Soviet leader may have ousted his conservative opponents, but his problems are far from over, writes John Lloyd

MOMENTOUS events have occurred in the Soviet power structure this week, but they may have little effect. It is within this apparent paradox that any kind of judgement on these events lies.

It seems that Mr Mikhail Gorbachev has used the issue of nationalities – the main subject of this week's Communist Party central committee plenum – to give the dual power system, of party and elected Supreme Soviet, its first major test.

The central committee's "platform" or policy statement, discussed by the plenum and now subject to editorial revision, is generally vague and exhortatory, as was much of Mr Gorbachev's opening speech.

He explicitly leaves the formation of detailed policy to the Supreme Soviet, in its role as law-maker, noting that the republics "have substantially increased influence on the affairs of the country" through the make-up of the Supreme Soviet.

Property, the "key issue" of perestroika, will be the subject of a law to be framed by the next session of the Soviet, opening on Monday: as will the nuts and bolts of economic independence.

It is in these discussions, in the dealing and bargaining which has of course always gone on between the centre and the periphery but which is *now taking a parliamentary* form, where the real freedoms for the nationalities will be tested.

But this cannot be interpreted as downgrading the role of the party, at least not as Mr Gorbachev, probably sincerely, *conceives it.*

His separate remarks on the need to democratise and radicalise the party over the next 12 months point to a belief in an organisation which still acts as "the leading and guiding force of Soviet society" (to quote the constitution) but one disengaged from the particular and able to concentrate on refining the general.

It is a purified, dynamised and open party he envisages, "which, having advanced the idea of the profound democratisation of society…is simply obliged to restructure its own activity on democratic principles and strengthen its ideological unity on the platform of perestroika.

"Only this type of party, renovated and profoundly democratic in its essence, will be able to lead the masses in the future as well."

He was obliged to spend some time on the party – obliged by the concerns of his colleagues, who at a July central committee plenum voiced fears of its being sidelined.

He dismissed the call from the Lithuanian party for political and organisational independence, invoking Lenin as the creator of an "organisation of co-thinkers, inspired by the ideals of proletarian internationalism".

In calling for a "strengthening of ideological unity", Mr Gorbachev clearly wants to rid the party of doubtful perestroika supporters who still inhabit its senior and middle structures.

His measured purge, announced late on Wednesday in a special bulletin on television, shows he can perform some of that reshaping at the top.

Of the Politburo members who left, two – Mr Viktor Chebrikov, former head of the KGB and latterly head of the law commission, and Mr Vladimir Shcherbitsky, Ukrainian party boss – were solidly in the conservative faction.

The new men – as Mr Vladimir Kryuchkov, the present KGB boss, Mr Yuri Maslyukov, head of Gosplan, the state planning agency, Mr Yevgeny Primakov, chairman of one of the two houses of the Supreme Soviet and Mr Boris Pugo, formerly Latvian party chief and latterly head of the party control commission – all owe their recent elevation directly to him.

But they are not hot-eyed radicals. Mr Maslyukov gave a very gradualist version of republican "independence".

Mr Kryuchkov has been responsible for a successful public relations job on the KGB, but his presence speaks more to that body's continuing if not growing importance in the leadership as a source of both intelligence and control than to his ardent reformism.

Mr Primakov has recently advocated greater *integration* of the republican parties with the centre; and Mr Pugo left his Latvian job last year before the wind of change in the Baltics grew to its present whirlwind proportions.

They are for perestroika – but controlled perestroika. And here is the root of it: can they control a process which was commonly described before this plenum as a "slide into anarchy"? In expressing his refusal to begin unpicking the national territorial boundaries within the USSR (and for certain that would unleash a deluge), Mr Gorbachev freezes the conflicts in the Transcaucusus in their present, fraught, state: the Armenian-populated enclave of Nagorno-Karabakh, currently under direct rule from Moscow, cannot be united with Armenia *nor restored to Azerbaijani* control.

The Abkhazians of Georgia remain under Georgian control, which they hate, while the Georgian independence movements continue to tear through the republic's politics.

A speech later by Mr Algirdas Brazauskas, the Lithuanian party first secretary showed no submission to the command to desist from notions of establishing party independence, and today the Lithuanian Supreme Soviet begins work on a package of laws which will transgress the limits on autonomy which Mr Gorbachev set.

In one section of his plenum speech, the Soviet leader said that the Soviet people were "simply permeated with internationalism" in their daily life: that is, their upbringing had stressed the common purpose of the Soviet people.

As a Russian born to a Communist family, that is true of Mr Gorbachev: it no longer seems to be true of large masses of his fellow citizens, who seem simply permeated with a nationalism which has lived on beneath the internationalist patina.

That such nationalism can be narrow, racist and violent is perfectly evident but is not the present point; it is no longer faces irresistible ideological or armed repression.

The second of these has been ruled out, even by Mr Yegor Ligachev, the leading Politburo conservative: and it is the object of Mr Gorbachev to provide a refurbished party to address the first.

But if that party is "democratised", as he has said it should be, does it not produce the outcome described by Mr Brazauskas – that is, its members and cadres share the same wish for independence as their fellow non-party citizens?

Does proletarian internationalism *have any resonance* beyond party ranks, where there is no party terror to enforce? Mr Gorbachev is left with the argument of economic self-interest: and much of the speech was taken up with figures showing first how interrelated were *the Soviet republics'* economies and second how the huge inequalities between them in Czarist times had been substantially ironed out.

These are genuine achievements, even if the cost was unimaginably bloody – but this is a *dangerous time to be* stressing economic success as a reason for staying in the union.

The paradox remains: Mr Gorbachev has had a successful week with his party, but he does not know if the people care.

> Gorbachev clearly wants to rid the party of doubtful perestroika supporters who still inhabit its senior and middle structures

Moscow 'wants Western help'

THE Soviet Union wanted eventual Western help in making the rouble convertible, but would not seek to tap Western markets for large amounts of general credit, the new Soviet ambassador to the European Community, Mr Vladimir Shemiatenkov, said yesterday, writes David Buchan in Brussels.

Instead of credits, Moscow wanted collaboration in training, joint ventures, science, technology and monetary areas which would raise efficiency in the Soviet economy.

Eventual convertibility of the rouble could not be achieved unilaterally, he told a seminar organised by the accountants, Grant Thornton.

"We expect this operation to be carried out with leading countries of the world," he said, but only after the Soviet Union had achieved a better balance on its consumer markets and reformed its price and banking systems. However, "the political decision (to achieve convertibility) had been taken and was irreversible," he said.

Auschwitz site convent should move says Glemp

By James Blitz

CARDINAL Jozef Glemp, the Roman Catholic Primate of Poland, has said that the Carmelite convent which is situated on the site of the Auschwitz death camp should be moved as soon as possible.

The Cardinal, who is on a visit to Britain, made his statement in a letter delivered to Sir Sigmund Sternberg, chairman of the International Council for Christians and Jews. "It is essential . . . to move the convent outside the perimeter of the site," he writes.

The siting of the convent on the grounds of the most notorious Nazi death camp has been considered by Jews to be a profound disregard of the Holocaust. The debate over the issue has soured relations between Catholics and Jews in recent months.

On Tuesday, however, the Vatican issued a statement which, for the first time, expressed strong support for the relocation of the convent. The Vatican's pronouncement officially endorsed an agreement reached in 1987 by Catholics and Jews to relocate the small group of Carmelite nuns, who are commitied to silent prayer.

Until Wednesday, Cardinal Glemp's position on the issue had remained unconciliatory. In a speech delivered in Bristol on Tuesday, he dismissed the 1987 accord as "wishful thinking." On an earlier occasion, he is reported to have called the Polish church officials who signed the 1987 agreement "incompetent."

His view has now changed: "It is my intention that the Geneva Declaration of 1987 should be implemented and I am therefore keen to work on a friendly dialogue between Christians and Jews," he says in his letter.

Paying tribute to the Cardinal, Sir Sigmund Sternberg said: "He has seen we are reasonable people and reason prevailed. I found Glemp ready to listen."

Britain agrees to cut military manoeuvres

By David White, Defence Correspondent, in Trendelburg

BRITAIN has agreed to reduce military manoeuvres at certain periods in its principal North German training area in response to a strong local environmental campaign.

Mr Gerhard Stoltenberg, German Defence Minister, said after talks with Mr Tom King, British Defence Secretary, that the UK had made "important concessions" over the Soltau-Lueneburg area. British forces use this area, roughly 40km by 10km, under a 30-year-old agreement.

The changes come ahead of a package to be presented next Thursday by Mr Stoltenberg to a Bundestag committee limiting low-flying training by Nato combat jets.

Yesterday's agreement on ground training involves a four week pause in military operations in the Lueneburg area during the summer and reduction to the "minimum necessary" at weekends and on public holidays, especially in the use of tracked vehicles such as tanks.

The ministers said the agreement, which also involves extending the current 400 metre buffer zone, answered the main points of the environmental campaign.

Mr King said the area remained "very important" for the UK and stressed the need for adequate training of British forces in Germany.

The two ministers visited manoeuvres in which UK forces are testing a new exercise concept designed to reduce damage to farmland and nuisance to local communities.

Mr King said he discussed the unresolved issue of the choice of a £1bn radar system for the four-nation European Fighter Aircraft. But he said Britain was still working on a fresh study into the proposal led by West Germany's AEG. This is competing with one headed by the troubled British defence electronics company Ferranti International Signal.

Mr King said he hoped to have the results of the latest study "very shortly."

Berlin accuses West of kidnapping citizens

By Leslie Colitt in Berlin

EAST GERMANY yesterday blamed Western agents, slave traders and kidnappers for the exodus of its citizens from Hungary to the West in recent weeks.

The anti-Western and anti-Hungarian campaign in the Party newspaper Neues Deutschland was apparently designed to divert attention from growing demands for reforms by the opposition and the Protestant Church.

In a front-page interview in Neues Deutschland, an East German cook – and Party member – described how he was doped by a "kidnapper" in Budapest and woke up on a bus bound for Vienna. Mr Hartmut Ferworn, a cook on the East German railway, said he was approached in a Budapest cafe by a man with a Leipzig accent who took him to a flat and offered him a menthol cigarette. After a few puffs Mr Ferworn said he lost consciousness. When he came to he was sitting in a bus next to the man from Leipzig who told him they had reached "freedom" and were on their way to West Germany. "I was apparently given a narcotic," Mr Ferworn explained. "I was a victim of kidnappers, of criminals."

Testimonials in the newspaper by 24 East Germans who spent holidays in Hungary and returned, spoke of their "indignation" over attempts by West German and Hungarian "slave traders" to lure them to the West.

Former Swiss Justice Minister is charged

FORMER Justice Minister Mr Elizabeth Kopp, the first woman in a Swiss government, yesterday became the first ex-cabinet minister to be charged with a criminal offence, Reuter reports from Zurich. She faces charges of violating official secrecy for allegedly warning her husband, Mr Hans Kopp, to quit a company subsequently linked with money-laundering.

An investigation into whether Mrs Kopp – who was forced from office over the affair – should be charged with aiding and abetting a crime is being dropped. A former personal assistant and another former Justice Department official were also charged with violating secrecy, which carries a maximum prison sentence of three years or a fine.

Mrs Kopp became the first woman in the Swiss government in 1984. She was forced to announce her resignation last December just days after being elected Switzerland's first woman vice president.

Fiesta as Malta marks 25 years of independence

FIREWORKS lit up the skies, and bands filled the night air with military marches as thousands of Maltese, led by the Prime Minister Mr Eddie Fenech Adami, yesterday celebrated 25 years of independence, Godfrey Grima writes.

The ramparts of Valetta, the city "built by gentlemen for gentlemen", were decked with blazing red-and-white lights, flags and banners. From government buildings, built from the island's yellow ochre stone, cascading drapes fluttered in the autumn breeze. Roof-top hoardings extolled such noble virtues as "national unity".

The latter has always been elusive. The 360,000 islanders have had an eventful quarter-century – particularly the premiership of Mr Dom Mintoff, a Socialist who distanced Malta from the West and ran the island with an iron fist that often marred his economic and social successes.

Mr Fenech Adami's pro-Western nationalists took power in 1987, pledging a sharp change of course. But not everything has changed.

Malta remains a secular, neutral welfare state, and the Socialists' nationalization of key corporations seems unlikely to be reversed.

Ministers still enjoy enormous power, and political hangers-on seem to be picking up the bad habits for which the Labour party was punished at the polls – prompting Mr Fenech Adami to warn recently against corruption.

One thing is different now. The once-omnipotent Catholic church has lost political sway, and Mr Fenech Adami's relations with the bishops are scarcely better than Labour's.

There is also some convergence over defence. The Government has back-pedalled on its quest for closer military links with the West. Its ambition is to join the EC.

Practical problems have never been lacking during the past 25 years. But the overall feeling on the island is that the best years are yet to come, more so once both parties give up parish pump bickering.

On the slow track at Le Mans . . .

Ian Davidson samples the new French high speed train

THE inaugural demonstration of France's new high-speed rail line between Paris and the West ran into a spot of bother on Wednesday, when demonstrating trade unionists blocked the line and prevented the train from getting into Le Mans station.

But the demonstration proved two points incontestably: when the new-generation train is under way, the TGV-Atlantique is significantly faster than the existing TGV to Lyons – 300 kilometres per hour, compared with 270kph for the TGV-Sud Est; and at speed it is also significantly quieter, smoother and more comfortable.

The only uncomfortable moment came in a tunnel in the Paris suburbs, which set up a disagreeable booming noise. But in the open country it was easy to believe claims by railways officials that trials had achieved speeds of 410kph, slightly faster than the world rail speed record of 406.9kph held by West Germany.

The new service is being inaugurated eight years almost to the day after the original launch of the first Train à Grande Vitesse between Paris and Lyons in September 1981, and it marks not just a technological advance on the earlier system, but also a stepping stone towards a national high-speed network.

In 1994 the SNCF railway corporation plans to open up a third major line, the TGV-Nord, from Paris to Lille, the Channel Tunnel and the Benelux countries; at the same time, the three lines will be linked by a circle-line outside Paris, so that it would be possible to travel directly by TGV from Le Mans to Lyons or from Bordeaux to Lille, without having to change trains in Paris.

At some later stage, the French also plan to build a TGV-Est to Strasbourg and Germany.

As with the original TGV, the very high cruising speeds planned for the TGV-Atlantique have required the building of a special line which is straighter, flatter and smoother than standard track. But in both cases, the fast track only extends half way to the ultimate destination: from Paris to Lyons, and from Paris to Le Mans (and next year, a southern fork to Tours).

As a result, the time benefits of the higher speed are concentrated in this first stretch: the time from Paris to Le Mans will be virtually cut in half, from 1 hour 40 minutes to 55 minutes, but the extra time saved to Rennes will still only be 49 minutes.

The new line for the TGV-Atlantique has cost around FFr10bn (£1bn); according to SNCF officials, this is less per kilometre than an autoroute. But on the strength of its experience with the existing TGV, the corporation is manifestly confident that the money will be well spent.

In the years 1980 to 1984, the TGV-Sud Est enjoyed a 50 per cent increase in traffic, and in the case of the stretch Paris-Lyons (where the speed advantage is the greatest), the increase in traffic was 160 per cent.

A recent study showed that of the 18m travellers who took the TGV-Sud Est in 1984, 12m were existing users of this line, 1m were previously travellers by road, 2m were previously air travellers, and 3m were entirely new travellers. In the case of the Paris-Lyons stretch, the share of the traffic carried by air fell from 50 per cent in 1980 to 20 per cent in 1985.

One of the most significant effects of the speed of the TGV, is that the journey between Paris and Lyons only takes two hours. As a result, it has become increasingly common for businessmen to make round trips between the two cities inside a single day.

And Wednesday's trade union demonstrators? They were protesting at the increased ticket prices being introduced for the new line. The experience of the existing TGV suggests that businessmen will be only too willing to pay for the convenience.

Chemical groups make slow progress on cutting waste

By Peter Marsh in Geneva

EUROPE'S chemical business is making slow progress at implementing new anti-pollution guidelines because of shortages of manpower and funds, a leading scientist said yesterday.

Mr Urs Gujer, chairman of a waste management committee set up by CEFIC, a Brussels-based chemicals trade association, said there were problems in the chemical industry's attempts to change industrial processes in order to eliminate waste products at source through plant redesign.

Mr Gujer, who is also head of environmental protection at Ciba-Geigy, the big Swiss chemicals group, said the cost of taking anti-pollution measures in the 1990s in order to meet the guidelines would be high, running into hundreds of millions of pounds across Europe's chemical industry.

Mr Gujer, who was speaking at an international conference on waste disposal in Geneva, said that many chemicals companies fully recognised an urgent need to review their dealing with waste emitted into the air or rivers.

But implementation by Europe's chemical companies of CEFIC anti-pollution guidelines produced in 1985 was proceeding more slowly than he hoped.

The Ciba-Geigy scientists said that companies often lacked engineering facilities, finance and resources to channel efforts towards redesigning plants to eliminate waste from production, rather than dealing with it via clean-up measures such as water treatment systems.

He said that assuming companies put such waste reduction ideas into operation, the bill for changing production processes could be large. While many European chemical companies spend 10 to 15 per cent of their annual capital investment on environmental measures, that proportion could rise to 25 per cent in the 1990s for companies effecting new plant designs aimed at waste elimination.

The European chemical industry spends about £10bn a year on capital investment, of which about £1.2bn goes on environmental protection.

Mr Gujer's comments were given added weight by Mr Joel Hirschhorn, a leading US authority on chemical waste disposal. He told the conference that many chemicals groups in the US and Europe lacked commitment in tackling waste issues.

Mr Hirschhorn, who works at the US Office of Technology Assessment, a research of arm of Congress, said that too often companies ignored methods to design waste out of production processes because of a bias against such ideas by accountants and plant managers. But often these techniques could save money in the long term by cutting waste disposal bills and using chemicals more economically, said Mr Hirschhorn.

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Steel exporters resist revised US accord on quotas

By Nancy Dunne in Washington

US TRADE officials are heading towards a week of marathon negotiating sessions over steel quotas as the September 30 deadline approaches for the expiry of the five-year US steel programme.

What might have been an automatic renewal of current "*voluntary*" *quotas* (Voluntary Restraint Agreements – VRAs) has become infinitely more complex, partly as a result of the Bush Administration's determination to seek an international agreement on steel trade. Negotiations have thus been concentrated on two separate tracks: VRA renewal and consensus agreements.

The 29 VRA countries, whose exports have been limited to a 17 per cent to 20 per cent share of the US steel market, are being asked to renew their quotas for two-and-a-half years, and, in many cases, to take smaller shares. It is believed that the US is basing its offers of new quotas on actual 1988 exports, while also trying to re-adjust the levels to correct chronic shortages.

Worldwide steel demand was so strong last year that even US exports shot up. Several countries failed to fill their quotas because they could get better prices elsewhere. Now demand is cooling.

The European Community, Japan, South Korea, Brazil and Mexico hold 87 per cent of the steel import market. Japan and the EC have been asked to reduce their shares, presumably to give larger slices to Brazil and Mexico, which have eliminated many of their subsidies and stand in greater need of export earnings. Japan, which has held a 5.8 per cent quota, but last year accounted for only 4.3 per cent of the market, has rejected a US request to sharply limit its share.

Adding to the complications of the VRA negotiations, the US is attempting to standardise the product categories to bring them into conformity with the Harmonised Tariff Schedule. Some products will be transferred to other categories; others not previously covered will be included.

US partners are also being asked to sign an agreement supporting the elimination of trade-distorting practices in steel. Japan has been asked to forbid its trading companies from giving preferential treatment to its own producers.

The prize for signing these agreements is a portion of next year's 1 per cent increase in market share to be awarded. The bilateral pacts are to be absorbed into the Uruguay Round, presumably as an annex code to the subsidies agreement.

So far, no country is known to have agreed to the international consensus, although Brazil is said to be interested. More than a month of talks has only produced VRA agreements with Poland and Hungary, small players in the steel market, and the details of the agreements have not been released.

If agreements are not reached by the end of next week, the industry expects the current VRAs will continue to apply and shipments to be counted retroactively.

Services trade talks enter crucial phase

By William Dullforce in Geneva

THE FIRST draft outlines of an international accord liberalising trade in services are due to be presented here today in the Uruguay Round negotiations.

The tabling of blueprints by New Zealand and Switzerland indicates that the drive by the US and other industrialised nations to obtain agreement on rules, which would open up global markets for service industries, is entering a crucial phase.

Both drafts call for the establishment of a General Agreement on Trade in Services (Gats) similar to the General Agreement on Tariffs and Trade (Gatt), which has governed the expansion in world trade in goods for the past 40 years. Both set out programmes for a progressive liberalisation of the full range of services, including banking, insurance, telecommunications, transport, tourism and construction.

Negotiators who have already seen the papers favour the New Zealand draft. They say its more flexible approach offers a better chance of overcoming the opposition of many developing countries.

Wellington's proposal calls for a framework of rules and disciplines which would apply to all internationally traded services, but it recognises that universal application of Gats' provisions could not be immediately realised.

It provides for a schedule of reservations, in which each country would spell out those areas to which it would not initially apply the obligations in the framework.

However, Gats would also contain a "precise mechanism" for the progressive liberalisation of trade in services. This would include regular multilateral negotiations in which concessions would be exchanged.

These concessions and those granted at the outset would be "bound" and embodied in country schedules of concessions. By "binding" tariffs under Gatt a country undertakes not to raise its levels without paying compensation to its trading partners. Under

New Zealand's draft is flexible and offers a better chance of overcoming opposition of developing countries

the New Zealand plan, therefore, each country would operate a schedule of concessions and a schedule of reservations. Each would make some level of commitment as part of its entry fee to Gats. Levels of commitment would be assessed by combining the two schedules to ensure "broad comparability".

Reservations could be made on any law, regulation, administrative practice or government decision which affected the entry of a foreign service into a market, or the operating conditions of suppliers. But reservations would be seen as only temporary exceptions to Gats general rules.

By the end of this week, the group is due to decide on its next step. However, several developing countries said they were not ready to start drafting the text of an agreement.

Pakistan set to decide on communications project

By Christina Lamb in Islamabad

NEGOTIATIONS are under way for a contract for Pakistan's first private sector communications project. British Telecom, Cable and Wireless, and the Swedish company, Convic, are the main contenders out to set up and run a mobile phone network in Pakistan's five main cities, while Digital Communications hope to get the contract for a paging service in Karachi.

The project will be Pakistan's first entry into cellular communications and is badly needed. When Ms Benazir Bhutto's Government took office in December the country had just 700,000 connections for a population of 110m, one of the lowest per capita rates in the world. Her Government has promised to add 1.5m new connections in the next five years, but with outdated exchanges already heavily overloaded, cellular phones are the only quick remedy.

The strain on the present system means there are frequent breakdowns and wrong numbers. Mr H.N. Akhtar, the Secretary for Communications, said that "estimated traffic here per line is three times that of the world average. The maximum number of lines connected to an exchange is supposed to be 85 per cent, leaving 15 per cent free for maintenance, but here more than 95 per cent are in use."

Despite the urgent need for connections, only 69,000 new ones were added between July 1988 and April this year. There were at least 250,000 new applications and the gap between supply and demand is increasing. The situation is so bad that people make large sums by becoming telephone brokers. Listing themselves as clinics which get priority and greasing a few palms, brokers obtain several connections and then say they have moved house in order to get them relocated to their customers.

The cellular phones which are expected to be subscribed to mostly by businessmen, will be set up and operated by the successful company for the first seven years, enabling it to recoup the initial capital.

The Swedish Company, Ericsson, have won a contract to instal digital switches to supplement, then replace the dilapidated exchanges.

Australian snow vies for export award

By Chris Sherwell in Sydney

MAKERS of artificial snow, rear-view mirrors, ophthalmic lenses and fashion bed-linen are among the collection of Australian groups hoping to win one of this year's national export awards.

The diverse list of 35 finalists across seven categories was unveiled yesterday. At a time when the country's external payments problems are worsening monthly, it is a reminder of the range of successful Australian exporters.

The awards, organised by the government department, Austrade, and the Confederation of Australian Industry, aim to recognise outstanding export achievement. Winners will be announced in November.

In the "new exporters" category is Permasnow, an artificial snow technology company based in tropical Queensland. Last November it signed master licence agreements worth A$2m (£1m) with two large Japanese corporations.

The maker of external rear-view mirrors is Britax Rainsford, a South Australian group in the "medium manufacturer" category, whose exports have reached A$5m per year. Its most significant export success has been a contract with Ford North America.

Mobilisation for German phone market

David Goodhart reports on a private sector scramble to take on the Bundespost

For the average US or Japanese businessman West Germany's telecommunications system must often seem as dynamic as the system across the inner-German border in East Germany. Mr Christian Schwarz-Schilling, Post Minister, has promised to change all that with his Bundespost reform.

But the modernisation should be most swiftly evident in the field of mobile telephones, a mere adjunct to the reform. Currently the Bundespost has 130,000 mobile phone subscribers. But for those phones, with poor reception and limited distance, subscribers have to pay between DM5,000 (£1,630) and DM10,000 plus DM120 rental per month, and then DM1.75 per minute for a call.

By contrast in Britain there are more than half-a-million subscribers who pay less than DM1,000 for the equipment and about 80 pfennigs per minute.

However, in 1991 West Germany will have two new competing networks plugged into the new European digital network. The Bundespost will run D-1 and a private sector consortium will run D-2, which means that for the first time there will be competition on a basic voice service (ruled out on normal telephones by the Bundespost reform).

There are heady predictions of a German market of somewhere between two and four million for these phones and "a licence to print money" for whichever of the 10 consortia wins the private sector licence. Applications for the licence closed last week and a decision is expected on December 12.

But some voices are counselling caution. For one thing the licence winner will probably have to invest more than DM2bn in the required net-

There are predictions of a mobile phone sector which could become a licence to print money

work, and although the private sector consortium will be far more nimble than the Bundespost's Telekom division, the latter enjoys a head start of several years.

Also the disappointing sales of Siemens's integrated services digital network system suggests that the German market in high-tech telecommunications products may be slower moving than expected, says Ms Doris Michel of Roland Berger consultants in Munich.

She adds that if mobile phone penetration is too slow it may not be worth the private sector licencee building its own separate network, but instead it could share Telekom's infrastructure.

Some analysts believe that even with two infrastructures the Bundespost will do its best to make sure that each operator gets a roughly equal share of the market, probably the only way of sustaining two profitable systems.

But for the moment the optimists hold the floor and their main interest is calculating which of the 10 consortia – boasting some of the world's best-known telecommunications companies as well as *some of Germany's leading* car-makers, engineers, and utilities – has the best chance of winning the licence, and with it a key link in a growing international business.

Relative latecomers to the game, like the Munich firm Peitz or the Harpener consortium – which includes the US company GTE – are not thought to have a strong chance. Nor is PMF (Private Mobilfunk), despite the fact that it was one of the first to organise and has an extremely strong team, including British Telecom, Nynex Corp of the US, the giant utility RWE, and the Bayerische Vereinsbank.

However, the consortium also includes Daimler-Benz. In the light of its recent controversial takeover of MBB, it would be politically difficult, although perhaps not impossible, to hand it the licence. In the middle rank is Deutsche Mobilfunk, which includes Millicom and a team of middle-sized German companies gathered together by the Matuschka bank. In this division is another latecomer – DeTEL, which includes Berliner Electro and Europa International of the UK.

Two other groups considered to have an outside chance, which might look even better if they were not also disadvantaged by political factors, are

Some groups with a chance of the contract are disadvantaged by political factors

Celtel and MobiTel. Celtel has the difficulty of being led by a state-owned diversified steel group, Salzgitter, although the group also includes Deutsche Shell and McCaw Cellular Communications of the US.

MobiTel is led by the Axel Springer group which, as the publisher of several pro-government newspapers, would be a controversial victor. That group includes the utility Bayernwerk, Olivetti, Shearson Lehmann and Cellular Communications of the US.

The three favourites currently seem to be: D-Tel, led by car-maker BMW; MAN, led by the engineering group of the same name; and Mannesmann Mobilfunk, led by the diversified steel tubes group, Mannesmann.

D-Tel also has Bell South of the US, Cofira of France, and Racal of the UK. But possibly counting against it also has Veba, the diversified utility which is often accused of wielding too much political power.

MAN has with it ADAC, the West German motoring association, Ameritech and Bell Atlantic of the US, Bouygues of France, Societa Finanziaria Telefonica of Italy, and the Securicor Group of the UK. It also had, like several other consortia, its own cash-rich utility in the shape of Ruhrgas.

But Ruhrgas pulled out on the prompting of two of its most important shareholders – Esso and Mobil Oil. It was soon replaced by Hoesch, the steel-maker, which has been rapidly diversifying into telecommunications.

Mannesmann is joined by the DG Bank, Pacific Telesis of the US, Lyonnaise des Eaux of France, and – a powerful advantage – Cable & Wireless of the UK, which has already accumulated considerable experience in this field.

Mr Erhard Kantzenbach, the former chairman of the Monopolies Commission, who has to provide the Post Minister with a recommendation by early December, has a tough two months ahead.

Australia stands firm on policy as deficit worsens

By Chris Sherwell in Sydney

AUSTRALIA'S Government, shocked by another explosion of the monthly current account deficit, yesterday ruled out further tightening in its monetary policy as the opposition attacked economic management.

Figures for August released by the Australian Bureau of Statistics showed an unadjusted current account deficit of a record A$2.58bn (£1.28bn), up from a revised A$1.8bn in July. On a seasonally adjusted basis the figure was A$2.26bn.

Reacting yesterday, Senator John Button, the Industry Minister, called the figures "dramatically bad," and acknowledged an "undoubted" need to change the mix of policies, but in the medium to long term. He insisted there was "no magic wand".

Mr Bob Hawke, the Prime Minister, said the figure did not mean the government's tight monetary policy wasn't working.

Mr Paul Keating, the Federal Treasurer, acknowledging that the deficit was "unsustainably high," said monetary policy was already exceptionally tight and official rates were high enough to do the job.

Earlier this month he had sounded a warning of poor figures to come both for the balance of payments and the inflation rate.

But the deficit was far beyond the most pessimistic expectations, even allowing for the inclusion of a A$153m Boeing 747-400 jumbo jet and a liquid natural gas carrier worth more than A$200m.

The merchandise trade deficit was a record A$1.3bn, and every category of imports rose.

On the foreign exchange market the Australian dollar initially dipped sharply against the US dollar before recovering ground on expectations that interest rates might rise.

On a trade weighted basis it finished at 60.3 (May 1970=100), down from 61.0 on Wednesday but still above the 58-60 range it has traced in recent months.

On credit markets there was a sell-off of bills and bonds, driving yields higher.

Rates on 90-day bills finished at 18.40 per cent, up from 18.25 per cent, while 10-year bonds finished at 13.50 per cent, up from 13.35 per cent.

On the share market, the widely-watched All Ordinaries index finished at 1,715, down 19 points on the day.

The index has now meandered between 1,715 and 1,735 for six weeks, having soared up from 1,500 in the previous six weeks.

Over the past week sentiment in the money markets has also turned bearish as expectations of an early decline in interest rates have begun to evaporate.

At Wednesday's Treasury note tender, the yield on 13-week notes jumped to 17.42 per cent from 16.98 per cent the week before. The yield on 26-week paper rose to 17.32 per cent from 16.84 per cent.

Mr Hawke said there was no need to revise last month's budget projection of a A$18.5bn deficit for the year to June.

However Dr John Hewson, the shadow Treasurer, pointed out that the figure for the first two months of the financial year was already almost one-quarter of the projected total.

The impact of the domestic pilots dispute, whose effects have yet to show up, mean the economy is off-track, Dr Hewson said.

He also forecast a rise in general interest rates and in politically-sensitive home loan rates, which currently stand at a record 18 per cent. His view is echoed by some bank economists.

Chemical groups support worldwide weapons ban

By Chris Sherwell in Sydney

AN UNPRECEDENTED commitment by the world chemical industries to help secure a global ban on chemical weapons has added impetus for an international chemical arms control convention in Geneva.

According to delegates representing governments and chemical industries of 67 nations, a special five-day conference in Canberra this week has at last made a chemical weapons convention realistically achievable after almost 20 frustrating years of talking.

When the meeting finishes today, Senator Gareth Evans, Australia's Minister of Foreign Affairs, hopes to indicate the possible timing for an arms convention. The gathering's main achievement was down to the world's chemical industries.

In a ringing declaration of "unequivocal abhorrence of chemical warfare," the industries made their first joint statement of any kind and expressed their willingness to work with governments for a chemical weapons ban.

The only solution to the problem, they proclaimed, was global and verifiable convention requiring destruction of all existing stockpiles and production facilities and measures to prevent future production.

According to Senator Evans, success in ridding the world of chemical weapons requires "the practical, effective, hands-on co-operation of the world's chemical industry." He said their declaration was proof of having that.

One of the key sticking points in the negotiations is challenge inspections, under which a country can demand to inspect another's suspect installations "anywhere, anytime," in US terminology.

Three countries are known to have chemical weapons – the US and the Soviet Union, by their own admission, and Iraq, by inference from events in the Iraq-Iran conflict. Some 19 others are also believed to have them, but the actual number remains unclear.

The full horror of chemical weapons goes back to World War One, when the use of poisonous mustard gas killed an estimated 100,000 people, mainly soldiers. Iraq's use of poison gas was a sombre reminder of the need for an effective treaty.

The developments in Canberra come ahead of a key meeting in Wyoming today between Mr James Baker, US Secretary of State, and Mr Eduard Schevardnadze, his Soviet counterpart.

They are expected to discuss reciprocal exchange of data and experts on chemical weapons, which would take the Geneva negotiations further.

Thatcher's blunt attack on Japanese reality

Philip Stephens reports from Tokyo on likely trade gains from the British PM's visit

MRS Margaret Thatcher undoubtedly made an impact in Japan. The British Prime Minister's typically blunt warning that the world's free trading system is under threat from an explosion in protectionist sentiment assured saturation coverage in the Japanese media.

No-one in the Government or in the business community could have been left in any doubt of the contribution that she expects from Japan to avoid such a calamity.

But as Mrs Thatcher leaves Tokyo today after her four-day official visit she can be far less certain that her message will produce decisive action by her hosts to liberalise their domestic market.

Her talks with Mr Toshiki Kaifu, the Japanese Prime Minister, took the sting out of a number of issues which have soured bilateral trade relations.

She appears confident that two British companies seeking membership of the Tokyo Stock Exchange will finally be admitted next year.

Mr Kaifu offered a pledge that he will seek to ensure that the recent boom in Scotch whisky sales in Japan is not undermined by aggressive marketing of substitutes, or new spirits by local producers.

The Prime Minister can also take comfort from evidence that British companies are doing much better. In the first six months of 1989, exports to Japan rose by 30 per cent to £1.1bn, against a 14 per cent rise in imports to £3.4bn.

But Mrs Thatcher's call for a fundamental overhaul of the structure of the Japanese economy elicited a much more equivocal response.

It was met sometimes with a list of the measures that already taken to curb the country's $80bn current account surplus, sometimes with a typically polite silence. Japanese officials also pointed out that measured as a proportion of national income, the surplus has come down sharply to less than 3 per cent this year.

Britain's analysis of what is needed is familiar. It is strikingly similar to that already undertaken by the US and reinforces Washington's agenda for its talks with Japan on structural impediments to trade. Japan had "responded" to international pressure both to promote the growth of domestic demand in its economy and to remove traditional barriers to imports.

The problem was that the very structure of the Japanese economy – regulated and restricted – meant that it was often impossible for foreign companies to penetrate its markets.

The distribution system – with its preponderance of retail outlets tied to individual manufacturers and the restrictions on the development of larger stores – favoured domestic over overseas producers.

Massive subsidies for farmers – accounting for 75 per cent of their incomes – froze out cheaper agricultural products from abroad and contributed to the artificially high price of land. The latter in turn significantly limited the spending power of Japanese consumers.

Mrs Thatcher articulated the case well. She also got across her obvious frustration that while Britain was fighting the free trade corner in Europe, Japan was not repaying the advantages that that stance brought for its exporters.

For their part, however, the Japanese made clear that the type of sweeping changes in the fabric of society that Mrs Thatcher was seeking were neither practicable or likely in the foreseeable future.

Mr Kaifu's tenuous political position ahead of elections due by next summer leaves him in no position to upset powerful domestic interest groups. As one Japanese official commented, even a Government with a new and unchallengeable mandate from the voters would find it difficult, if not impossible, to confront the power of the farm lobby. Nor is a response to Britain's complaints likely to be at the top of the list of his international trade priorities.

By contrast, the US – with which Japan has a $50bn surplus – poses a far greater risk of a backlash against Japanese exporters.

The Tokyo Government's efforts over the next few months will be focused on defusing the threat of retaliation from the US where it faces a long list of complaints over products ranging from semi-conductors to wood products.

If Japan does finally respond to demands for structural change in its economy, it is clear that this will be more the result of pressure from the US Congress and Administration, rather than from Mrs Thatcher's visit to Japan this week.

Mrs Margaret Thatcher, pictured at a Tokyo press conference, yesterday voiced "great confidence" that the two British companies seeking membership of the Tokyo Stock Exchange will be admitted next year, Philip Stephens writes.

Her statement, at the end of her official visit to Japan, followed talks yesterday with Mr Noburu Takeshita, the former Japanese Prime Minister.

Mr Takeshita, who retains considerable influence in Japan, was said to have raised the issue on Britain's behalf with the chairman of the Tokyo exchange and to have received assurances that Barclays de Zoede Wedd and James Capel would be offered seats.

Mrs Thatcher, who leaves Tokyo for Moscow today, said that talks this week with Japanese government and business leaders had produced "useful" progress in strengthening relations and in resolving bilateral trade disputes.

She voiced the hope that the 1990s would prove a "decade of unprecedented partnership and friendship between Britain and Japan".

After a meeting yesterday with Mr Hikaru Matsunaga, the Minister of Trade and Industry, and a private lunch with Emperor Akihito, Mrs Thatcher also underlined her call for further Japanese investment in the UK.

UK may lift curbs on Peking contacts

By Philip Stephens

BRITAIN yesterday raised the possibility that it might soon move towards removing the restrictions on bilateral contacts with China announced after last June's violent suppression of student demonstrations by the Peking Government.

Speaking in Tokyo, Mrs Margaret Thatcher, the Prime Minister, said that her Government's social responsibility for Hong Kong meant that "we shall obviously have to have more active relations with China."

Mr Thatcher refused to be drawn at press conference on when exactly the sanctions – including a ban on arms sales and fresh loans and a freeze on ministerial contacts – might be lifted. Britain would have "to consider very carefully" its next steps.

She emphasised, however, her determination to ensure that all the provisions of the Sino-British joint declaration providing for Hong Kong's reversion to China in 1997 were implemented.

It was Britain's responsibility to ensure that the accord was put into practice according to "the letter of the agreement and according to the spirit in which it was made."

Her comments left the impression that the Government is now carefully weighing whether it might have more leverage with the Peking authorities in negotiations over the colony's future if relations are normalised.

Responding to speculation in Tokyo that Japan may soon end its embargo on soft loans to China, Mrs Thatcher said that any such move was a decision which should be left to the Japanese Government. She called, however, for increased Japanese investment in Hong Kong to bolster confidence in the colony.

Vietnam starts troop pullout from Cambodia

THOUSANDS of Vietnamese troops drove out of the northern Cambodian town of Siem Reap yesterday at the start of Hanoi's final withdrawal ending an 11-year presence in the country, Reuter reports.

Vietnam has promised to pull out its remaining 26,000 troops by Tuesday leaving Cambodian soldiers and militia to face guerrillas along the border and in the interior. There is no independent monitoring of the withdrawal.

Major-General Huol Savorn, Cambodia's fourth regional army commander, said 10,000 Vietnamese soldiers from two provinces were leaving Siem Reap yesterday. They would arrive in the capital, Phnom Penh, on Monday and cross the border the next day.

Mr Hun Sen, Prime Minister of Vietnam, returned yesterday from Bangkok where he discussed with his Thai counterpart, Mr Chatichai Choonhavan, about how to prevent the return of Pol Pot's Khmer Rouge. The group killed an estimated 1m Cambodians during their four-year rule until they were ousted by Vietnamese troops in 1979.

Thailand funnels Chinese and western aid to the Khmer Rouge and allows them to maintain bases on Thai land.

Japan targets dollar's strength

By Stefan Wagstyl in Tokyo

JAPAN plans to put the strength of the US dollar top of its agenda for the meeting of finance ministers of the G7 leading industrialised countries in Washington tomorrow.

Japanese officials led by Mr Ryutaro Hashimoto, the Finance Minister, intend to tell their US counterparts that the dollar is "too high" trading at around Y145. A strong dollar will slow down the rate at which the Japanese trade surplus and the US deficit can decline, they believe. While the trade accounts of both countries are now improving, Japanese officials believe that the dollar's rise this year is storing up trouble for the future.

Japanese officials think the West Germans will support their case for finding ways to close the gap between US interest rates and lower rates in West Germany and Japan which is drawing capital into the US.

"The dollar is too high," said a senior Japanese Ministry of Finance official yesterday. "The current level is based in speculative buying. . . It is too high when we think of what has to be done to adjust the imbalance in trade."

The relative lack of urgency about macroeconomic issues will leave Japan free to pursue quite another matter at the International Monetary Fund meeting which will follow the G7 session. This is the vexed and delicate question of Japan's position in the fund's pecking order.

Japan, currently number five, has argued for some time that this ranking does not reflect its true importance – it would like to leap-frog numbers two, three and four – Britain, France and West Germany. The US fills the pole position.

Mr Toshiki Kaifu, the Japanese Prime Minister, was expected to raise the matter this week at his meetings with Mrs Margaret Thatcher, the British Prime Minister, who is visiting Tokyo. But, to the surprise of some of his own officials, he did not. Mrs Thatcher subsequently indicated at a press conference that the matter would eventually be resolved but not at next week's IMF meeting.

At the IMF the issue has become bound up in the thorny question of whether to raise the fund's resources by increasing the contributions of member states.

Mr Nigel Lawson, the British Chancellor of the Exchequer, has said that Britain would not renegotiate rankings before an agreement was reached on the increase in subscriptions.

Japan's Gross National Product contracted by 3.1 per cent on an annualised rate in the second quarter after 9.1 per cent growth in the first quarter, when patterns were distorted by a spending spree on the eve of the introduction of a consumption tax, Robert Thomson writes from Tokyo.

The GNP fall in April to June was predicted, as the general expectation for growth for the year is around 4.8 per cent, and the growth rate for the first quarter could not have been maintained. Private consumption, which had fuelled domestic growth, remains slightly down, but capital expenditure, with a 2.8 per cent rise quarter on quarter, has been pushing the economy along.

Mr Eric Rasmussen, of Jardine Fleming, said the second quarter results are "not terribly significant", although consumer spending will be worth watching in the third quarter, as a decline would have longer-term implications for growth and for trade policy, as imports would be affected.

Saudis put 16 Kuwaitis to death

By Andrew Gowers, Middle East Editor

SAUDI Arabia yesterday executed 16 Kuwaiti Shia Moslems and sentenced four others to long jail terms for allegedly planting bombs during the pilgrimage to Mecca in July.

The public beheadings, which followed protests from Amnesty International about the detention without trial and alleged torture of Kuwaiti pilgrims, immediately inflamed tensions between Kuwait's Sunni rulers and the emirate's substantial Shia minority.

There was no official reaction in Kuwait. But local Shias complained that the authorities had not been sufficiently energetic in speaking up for the detainees with the Saudi Government and that the executions did not appear to have been preceded by a free and fair trial. "Feelings are very high and tense in Kuwait," said one Kuwaiti Shia, who asked not to be named. "Even moderate Shias are seething."

A radical Shia cleric, Haji Saleh Johour of Kuwait's Imam Hussein mosque, was reported to have been arrested, possibly to pre-empt outspoken attacks on Saudi Arabia during Friday prayers.

A Saudi Interior Ministry statement said 29 Kuwaitis had been tried following the bombings during the haj in Mecca in July. Of the 29, nine were acquitted and freed, including a former Kuwaiti MP and a municipal councillor, while four were sentenced to 1,000 lashes or more and jail terms of 15 to 20 years.

The Saudi Press Agency said those convicted had confessed to smuggling explosives from Kuwait in an attempt to "spread fear and chaos among the pilgrims, to harm security in the holy places, and to undermine Saudi Arabia."

First reports last month said 33 Kuwaiti pilgrims had been arrested following the bombings – in which one person died and 16 were wounded – but the fate of the remaining four is unclear. A number of Omani and Pakistani Shias were also arrested in July, but were freed after pressure from their respective governments.

The executed Kuwaitis included teachers and students, as well as a leading figure in a Shia cultural association which functions as a quasi-political body in the emirate.

At the very least, the episode highlights the tensions which are still smouldering in the Gulf more than one year after the ceasefire between Iran and Iraq. Kuwait has since exchanged ambassadors with Shia-ruled Iran, but Sunni Saudi Arabia appears not to be responding to recent conciliatory Iranian signals.

Lebanese politician assassinated

By Lara Marlowe in West Beirut

A 74-year-old Lebanese parliamentarian was assassinated yesterday morning as he walked from a barber's shop to his car in West Beirut. There was no obvious motive for the killing.

However, some Lebanese interpreted the murder as a warning to deputies against participating in a session of Parliament scheduled for September 30. The session has been opposed by Lebanese Christians.

Mr Nazem Kadri, a Sunni Moslem deputy from the Akkar area of the Bekaa valley, was shot at close range by three men armed with AK-47 automatic rifles.

There are now only 73 remaining members of the 99-seat Parliament. Twenty-five have died – at least four by assassination.

This month's Arab League peace plan called for Parliament to meet next week to "prepare a charter of national reconciliation."

Mr Lakhdar Ibrahimi, the Algerian diplomat who is representing the Arab League tripartite committee, is in Beirut to arrange a venue for the session.

General Michel Aoun, the Christian leader who has opposed the convening of Parliament before 40,000 Syrian troops leave Lebanon, has been consulting with other Lebanese Christian leaders all week and is expected to give his formal response to the Arab League plan today.

Sri Lanka ceasefire

Sri Lanka yesterday declared a unilateral three-day ceasefire in its fight against Sinhalese rebels who it says have killed nearly 900 people in the past month, Reuter reports from Colombo.

The Foreign Minister, Mr Ranjan Wijeratne, told Parliament the ceasefire, beginning next Wednesday, would be extended if the rebel People's Liberation Front (JVP) responded favourably.

The move was announced a day after Indian troops halted military action against separatist Tamil Tiger guerrillas.

Ethiopian accord

The Ethiopian Government and Eritrean rebels have ended peace talks in the US city of Atlanta with an agreement to resume negotiations in Nairobi, Kenya, on November 18, writes Michael Holman.

A communiqué issued after the Atlanta meeting, chaired by Mr Jimmy Carter, the former US President, described discussions as "constructive and productive."

Seoul budgets for 20% rise in public spending

By Maggie Ford in Seoul

MR CHO SOON, South Korea's Deputy Prime Minister and chief economic planner, yesterday received approval from the Cabinet for his fiscal 1990 budget, which increases spending by 20 per cent.

The budget marks a departure from past Government spending patterns by including a substantial element of public spending on social development, including agricultural restructuring, low rental housing and pollution control.

The budget of Won23,025bn (£22.2bn) assumes an economic growth rate next year of 7.5 per cent, a $7bn current account surplus and an exchange rate of Won664 to the US dollar. The current rate is Won670.

Revenues from taxes are forecast to increase 21 per cent next year due to more efficient collection and higher wages, although tariffs will fall.

Average tax rates will decline from the present 18.2 per cent to 17.6 per cent, although on a per capita basis they will rise. The budget is in balance.

The Cabinet yesterday also endorsed a supplementary spending bill for fiscal 1989 of Won2,816bn, which will go for parliamentary approval.

Palestinian leader spars with Israeli 'cousins'

By Tony Walker in Cairo

"YOU ARE our cousins," declared Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, at one point in a long and spirited exchange with Israeli journalists about the PLO's desire for peace in the Middle East.

Mr Arafat's press conference in Cairo yesterday, in which he endorsed Egyptian efforts to promote a peace dialogue, was dominated by heated discussion between the PLO leader and Israeli reporters representing most of Israel's media.

The Israelis dropped any pretence of being neutral observers as they debated peace issues with a gesticulating Mr Arafat. It was not clear whether the sometimes emotional exchanges added to prospects of peace in the Middle East, but they certainly showed that if the "cousins" ever embark on negotiations it is likely to be a highly theatrical event.

Western and Egyptian reporters were shouldered aside in a press briefing dominated by combative Israel questioning. Mr Arafat was flanked by Dr Osama al Baz, a senior adviser to Egypt's President Hosni Mubarak, and by PLO Executive Committee members Mahmoud Darwish and Abdullah Hourani.

Mr Arafat gesticulates during his press conference yesterday. With him is Mr Osama al-Baz.

The PLO leader yesterday held talks with the Mr Mubarak for the third time in just over a week. Egypt is engaged in a determined drive to sell a 10-point peace initiative advanced by Mr Mubarak to bring Israelis and representative Palestinians together. One of Egypt's tactics is to use the media to appeal directly to Israeli public opinion.

Mr Mubarak on Tuesday exclusively briefed Israeli reporters in Cairo as part of this approach. He called on Israel to endorse the principle of "territories for peace" in the West Bank and Gaza Strip. Disagreement within Israel itself over the "land for peace" issue is threatening the future of the coalition government.

Cairo has offered its "good offices" to facilitate preliminary talks between Israel and Palestinians on Israeli-proposed limited autonomy elections for the territories.

Mr Arafat indicated yesterday that the PLO was awaiting Israel's formal response to the Mubarak initiative before committing itself to the 10-point plan. "Any Israeli-Palestinian dialogue is nothing but a dialogue to push peace efforts towards an international peace conference," he said.

"Could we possibly hold elections under Israeli occupation?" he asked. "I accept elections, but under international auspices and as a way to peace. Hence I suggested something similar to what happened in Namibia. Why don't we try the same for the occupied territories."

Mr Yitzhak Rabin, Israel's Defence Minister, said during a visit to Cairo on Monday that he accepted Egyptian mediation. The Labour Party minister also indicated flexibility on the participation of Palestinians from outside the occupied territories in negotiations on the conduct of elections. Mr Arafat has demanded the inclusion of such exiles in any negotiating team as a condition of the PLO's acceptance of the election plan.

Mr Yitzhak Shamir, Israel's Premier and leader of the right-wing Likud bloc, has, however, adamantly rejected the participation of exiled Palestinians in any preliminary negotiating process.

The press briefing ended in some disarray, with the "cousins" – Mr Arafat and his Israeli interlocutors – both seeking to have the last word.

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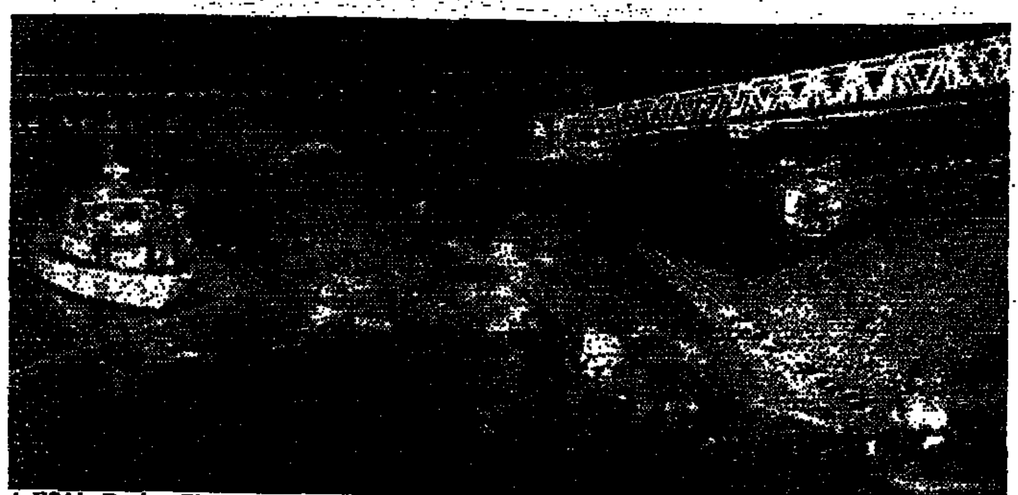
AMERICAN NEWS



A USAir Boeing 737 carrying 63 people skidded off a runway at LaGuardia Airport in New York early yesterday and splashed into the East River after the pilot had tried to abort the take-off, authorities said. Two people were killed.

Congress unveils plans to encourage personal saving

By Anthony Harris in Washington

NEW plans to encourage individual saving in the US, and to discourage short-term profit-taking in the securities markets, are emerging as Congress strives to produce a Budget agreement before the October 15 deadline.

The Democrats in Congress are trying to consolidate opposition to the Administration plan to cut capital gains tax by uniting round an alternative plan to revive tax concessions for personal savings.

This might be financed by adding a 33 per cent band to income tax, to apply above $150,000 annually. Meanwhile support is growing in both parties for proposals to tax pension funds on their short-term securities trading, and may win Administration support.

The idea is being sponsored by Senator Lloyd Bentsen, chairman of the powerful Finance Committee, and Sen Nancy Kassenbaum, a senior Republican. Treasury Secretary Nicholas Brady, who has expressed worry about "short-termism" in the markets, said yesterday that the idea was "of course" under study in the Treasury, though he cautioned against "precipitous" action.

The plan could also run foul of the President's "now new taxes" election pledge. The Democratic leadership is mainly concerned to unite some effective opposition to the Administration capital gains tax plan.

The party whips concede that there is at present enough "renegade" Democratic support for this plan to pass on a vote in the House, but they hope that the rebels can be persuaded to switch to a more popular alternative. This is now centred round Sen Bentsen's plan to revive the tax concession for individual retirement accounts (IRAs), which was abolished as part of the 1986 tax reform legislation.

However, the party is still divided on how this plan should be financed. The Senate majority believes that this question can be left for the 1991 Budget, since its initial revenue cost would be low, but their opposite number in the House urge simultaneous action to raise to tax rates.

This is being presented by the Democrats as a measure of equity for the middle classes, who would benefit from the savings scheme, and is clearly intended to embarrass the White House should a veto be proposed. Rep Leon Pannatta, chairman of the House Budget Committee, said yesterday that the high-rate tax would raise $35bn, enough to cover the estimated $15bn cost of the IRA proposal, and to reduce the deficit by $20bn. He claimed that this was the first proposal to devote new revenues to deficit reduction.

"This is very sound economic policy" he said at a press conference yesterday. Meanwhile Senator Bentsen sustained his attack on the capital gains tax proposal sponsored by and supported by the Administration, which would cut the tax to 19 per cent from its present 28 per cent until the end of 1991, and index the tax thereafter.

Addressing a breakfast meeting of the US Chamber of Commerce, Sen Bensten said the measure could have a serious effect on the stock market. Investors would rush to dump existing assets to take their profits during the reduced-tax period. They would then lock in new investments, and hope for "some similar windfall" in the future.

By contrast, a revived IRA concession would encourage saving, reduce the cost of capital to industry, and help the US trade account. The Department of Commerce yesterday announced that its final estimate for second-quarter GNP growth was the the economy expanded at a 2.5 per cent annual rate, down 0.2 per cent from the revised 2.7 per cent estimate published last month. After-tax profits of the business sector are now estimated to have fallen by 7.2 per cent,in the quarter, against as earlier estimate of 5.4 per cent, after falling by 1.1 per cent in the first quarter.

Colombian police point to UK mercenaries' role

THE HEAD of the Colombian secret police, General Miguel Maza Márquez, has told a Senate committee in Bogotá that training of local paramilitary groups by British and Israeli mercenaries from 1987 led to massacres and assassinations, including that of Senator Luis Carlos Galan, the man most likely to have won the Colombian presidential election, reports Sarita Kendall in Bogotá.

Gen Maza confirmed that President Virgilio Barco and his National Security Council had been told of the presence of foreign mercenaries. Questioned in Congress on Tuesday, ministers claimed that they only knew of the mercenaries through the press.

"It is undeniable that the new escalation of violence is largely due to the instruction given by mercenaries to our nationals, which has resulted in indiscriminate terrorism," said the general. He explained that circumstances in Colombia had prevented open discussion and that the country had lived with the drug problem in silence, believing it would pass.

Congress has also been thrown into uproar this week by the revelation of a black list, alleged to contain the names of Colombian congress members who are to be refused entry to the US because of drug-trafficking connections. Senator Alberto Santofimio Botero, a potential candidate for the ruling Liberal Party's presidential nomination, and reported to be one of nine Liberals on the list, said he still had a valid tourist visa.

The Foreign and Interior Ministers have been called by Congress to answer queries next week about the list, and have been asked to question the US embassy about its authenticity.

Early yesterday morning, 10 bombs exploded in the capital causing extensive damage.

Difficulty of doing Washington's bidding

Sarita Kendall appraises domestic obstacles to the Colombian war on drugs

PRESIDENT Virgilio Barco of Colombia is enjoying little credit at home for the anti-drugs war which has won him applause abroad.

Even so, in the month since the murder of Senator Luis Carlos Galan, the person most likely to have won the presidential election next year, and the introduction of draconian emergency decrees, the authorities have chased the cocaine traffickers out of their opulent haunts and kept their organisations in disarray.

More than 2,000 properties have been raided, 900 vehicles and aircraft taken and more than 1,200 weapons captured. But, of the seven imprisoned suspected dealers who might have been extradited to the US, only one middle-ranker has been sent there for trial. Three have been released and three cases are pending.

So far, direct retaliation by the traffickers has not been as fierce as expected: three dozen farms and vehicles have been burnt, there have been 40 bombings – mainly of banks – and there have been five deaths, apart from the assassination of a former mayor of Medellín. Yet it can be argued that the Government is on top.

Time is short, however. The Supreme Court's ruling on whether the anti-drug decrees are constitutional must be made within three weeks. In the past, most state-of-siege decrees have been approved; if the court now throws out extradition and confiscation, everyone will assume it has bowed to the cartels' pressure.

On the other hand, some of the measures – such as the fact that suspects can be held incommunicado for seven days – raise questions about human rights.

Left-wing groups have reported searches in poor urban areas apparently unconnected with trafficking targets. At least some of those detained are well-known human rights activists who work in education and legal aid programmes.

If the authorities had managed to net one big trafficker in the first month, Mr Barco might have won greater domestic support. The political and business establishment, believing that the Government has neither the military nor the political strength to rout the traffickers, remains sceptical and apathetic. Representatives hurriedly left Congress before cabinet ministers arrived to put the case for passing legislation based on the emergency anti-drug package.

In the aftermath of Galan's death, the cocaine cartels were seen as the greatest threat to Colombian democracy: a narcotics dictatorship, behind various front men, lurked in the wings. However, as the full

Barco: Short of time

implication of anti-terrorist decrees emerged and as US equipment strengthens the military, rather than specialist police units, points of view have shifted.

Senator Ernesto Samper, one of the leading candidates for the Liberal Party presidential nomination, spoke out against the danger of "Vietnamisation", with the US moving the drug war into Colombian territory rather than tackling the problem at home.

Nationalism is an important factor in the drug war. Confusion about the number of US advisers in Colombia, anger at the Government's evasion on the presence of foreign mercenaries and at the US role in the collapse of the coffee pact all excite criticism of what are seen as unreasonable foreign demands on Colombia.

The costs of maintaining the anti-drug offensive are multiplying. Damage to properties is probably the smallest item in a bill which includes the effect on tourism, local business confidence, foreign investment and the exchange rate. In recent weeks the central bank's local dollar purchases (at a teller's window where no questions are asked) have fallen to about half the normal amount.

Public identification with the Government's war is already melting away. To many, it has become a contest in which Mr Barco and the police are pitted against Mr Pablo Escobar, Mr Gonzalo Rodriguez Gacha and their gunmen.

Trafficking groups in Cali and other cities have dug into the regional economy without creating conspicuous armies and challenging the local elite. They have had the satisfaction of seeing the neighbours' kids swimming in their pool – for social acceptance is what most of the drug lords want.

Five years ago, top traffickers met the then attorney-general and a former Colombian president in Panama. They did not offer – although it is often reported that they did – to pay the foreign debt, but they did offer to close their businesses and bring their fortunes to Colombia, in exchange for an amnesty.

Then – when their reputation was less murky – such a proposal was not taken seriously. Yet now, saddled with what they see as a futile war, certain Colombians have suggested talks with the traffickers.

What can be discussed, and with whom, is not specified, even some government officials admit the possibility of a dialogue with traffickers – but Mr Barco has given a firm no.

Already in his last year of office and with a weak Cabinet, the president has set himself a difficult, if not impossible, task. Parties and candidates are focusing on elections due next year.

Mr Barco and his indefatigable police commander need a spectacular success if they are to keep the anti-drug offensive from fizzling out.

UK urges wider debt relief for poorest

By Stephen Fidler in Kingston

BRITAIN has admitted that an extension of the Toronto concessions, which provide debt relief to the poorest countries in sub-Saharan Africa, should be considered by creditors.

Mr Richard Ryder, Economic Secretary of the UK Treasury, told the Commonwealth finance ministers, meeting in Jamaica, that the UK believed a broadening of the concessions to countries outside Africa should be discussed by the Paris Club.

The Toronto terms agreed at the 1988 economic summit, provided for countries pursuing economic reforms to receive concessions on their debts to Western governments. This is done in one of three ways - through forgiving a part of the debt, reducing interest rates or extending repayments terms to 25 years. British officials agree there is little logic in the confining the concessions to Africa and excluding poor countries such as Bolivia and Bangladesh.

Even so, problems exist in agreeing to an extension in some creditor countries, notably the US and West Germany.

The low-key meeting, traditionally a prelude to the International Monetary Fund and World Bank annual meetings in Washington, has been dominated by the debt issue.

There is agreement among developing countries with debt problems that the Brady initiative, which advocates a reduction of the commercial debts of middle income countries, is too limited.

There has been some sympathy with the call from the Jamaican Prime Minister, Mr Michael Manley, that up to half of overseas development assistance should be devoted to a reduction of debts to official creditors.

Another concern has been that countries such as India and Zimbabwe, which are paying external obligations, should not suffer through the focus on problem debtors.

Other issues raised included:

- The world economic outlook and, in particular, the threat that inflation in the industrialised world could lead to policies which would slow growth and raise interest rates. Both would damage developing countries.
- World trade and the dangers of regionalism, especially as posed by the single European market.

US generic drug inquiry widened

By James Buchan in New York

INVESTIGATIONS by the Federal Government and Congress into practices in the generic drug industry have widened to include Eli Lilly and American Home Products, two of the most illustrious names in the US pharmaceuticals industry.

The two companies have stopped distributing drugs from two plants amid allegations of sloppy manufacturing practices and inaccurate claims about the drugs made there. While both companies say the drugs made at the plants are safe, the allegations are seen in the industry as quite embarrassing to them.

American Home, based in New York, said it had temporarily stopped production at its generic drug subsidiary, Quantum Pharmics, to allow investigators from the Food and Drug Administration, which is responsible for licensing drugs, and the parent company to examine Quantum's Long Island plant.

The investigations panel of the House Energy and Commerce Committee has also asked for documents about the plant to check allegations of "serious discrepancies" in applications to the FDA for drug approval.

The House panel, chaired by Mr John Dingell, a Michigan Democrat, has also asked for data from Eli Lilly, the venerable Indianapolis drug company, after FDA investigators found evidence of quality-control problems at one plant making brand-name pills and capsules. Last week, Lilly halted distribution of 10 drugs from the plant.

The generic drug industry, which makes cheaper versions of branded drugs once they come off patent, has been under investigation ever since evidence turned up last year that some manufacturers were bribing FDA officials to gain approval for their products.

Some companies were also found to have substituted the branded drug for their generic version in key tests. The investigation is a big setback to the industry, which has grown strongly in the 1980s as doctors and hospitals in the US have been forced to seek ways of cutting health-care costs.

However, the involvement of Lilly marks an enlargement of the investigation into the mainstream US drug industry.

US south-east prepares for impact of Hugo

By Canute James in Kingston

THOUSANDS of people were evacuated from islands and coast of the south-eastern US yesterday, in the face of the impending impact of a rejuvenated Hurricane Hugo. The storm was expected to hit the coast early this morning, with effects felt from northern Florida to North Carolina.

Forecasters say the hurricane, which gained strength yesterday and had winds of 110 miles per hour, would soon weaken after striking the mainland.

The hurricane has left a trail of devastation in the north-eastern Caribbean, with widespread damage in several islands, mainly Puerto Rico, the US Virgins and the British colony of Montserrat.

Several hundred US paramilitary personnel were sent yesterday to St Croix in the US Virgin Islands, after reports of widespread looting by armed gangs, said to include members of the National Guard.

Governor Alexander Farelly of the US Virgins said he had not requested troops to control the looting.

Carter backs opposition aid

PRESIDENT George Bush yesterday won the support of former President Jimmy Carter for spending $9m to aid the anti-Sandinista opposition in Nicaragua's elections next year, AP reports from Washington.

Mr Carter, who as head of the Atlanta, Georgia-based Council of Freely Elected Heads of State will lead an observer delegation to the Nicaraguan elections, said as long as the money is used in accordance with Nicaraguan law, it will benefit the political process. He spoke with reporters after meeting the president.

The Nicaraguan election law requires that half of any money coming into the political process from outside the country be given to the country's electoral council that runs the elections.

UK NEWS

Engineering unions select sites for strike ballots

By Charles Leadbeater, Paul Betts and Nick Garnett

THE leaders of Britain's engineering unions yesterday called industrial action ballots covering about 23,844 workers at the heart of the British aerospace and engineering sector in their mounting campaign to win a reduction in the working week to 35-hours.

The Confederation of Shipbuilding and Engineering Unions, which represents the 12 main unions in the industry, selected three British Aerospace sites, two sites at Rolls Royce, the aero engine manufacturer, a Smiths Industries factory which makes aircraft instruments and control systems and NEI - Parsons' Newcastle plant, which has a full order book for turbine generators for power stations in Iraq and Hong Kong.

The dispute could become one of the most significant in the private sector since the late 1970s.

The unions have been planning the ballots since April, when talks with the Engineering Employers Federation broke down. They are confident they will get strong support in voting over the next three weeks, especially from manual workers who generally work 39 hours a week. Clerical staff work between 37 and 37.5 hours a week.

The CSEU executive will have 28 days after the ballots close to decide which plants to call out on strike.

Industrial action could seriously disrupt production at the three aerospace companies which are working at full stretch to meet orders from the booming commercial aircraft market.

The BAe plant at Chester, north west England, supplies the European Airbus programme, which is struggling to meet production targets for a growing order book. The company's plants at Preston, also in the north west, and Kingston, south London, are involved in production of the European Tornado fighter aircraft and the Harrier military jet.

Industrial action at the two Rolls Royce plants, which produce components could affect the entire company, which is hard pressed to meet demand for engines after an overtime ban last year.

The largest customer for the Smiths Industries site selected for the strike ballot, which exports 70 per cent of is production, is Boeing, which is facing an increasingly heavy backlog of orders.

Action at NEI-Parsons could not merely affect work on its current orders but its chances of winning contracts in Malaysia and with National Power for three power stations in the UK. The company's main competitor GEC-Alsthom is not targetted for action.

The unions have set up a strike fund of £7m, with another £1m from a levy of their members. Mr Bill Jordan, the AEU president said the levy was collecting £500,000 a week.

If the unions called all 23,844 workers on strike, and offered about £100 a week in take home pay, the fund would be exhausted in four to five weeks.

The CSEU called on the companies to open talks on reducing the working week. British Aerospace said it was opposed to any reduction in hours, however NEI-Parsons said it was prepared to reduce the working week to 37.5 hours, as long as the unions agreed to productivity improvements previously proposed by the EEF.

Mr Peter Brighton, the EEF's director general accused the unions of using the workforces at the plants as shock troops for a claim which would destroy many of their members jobs.

Eagle Trust banks ask for chairman's resignation

By Philip Coggan

THE creditor banks of Eagle Trust, the UK industrial holding company which is the subject of a Serious Fraud Office investigation, have demanded the resignation of Mr Malcolm Stockdale, the chairman and chief executive.

A letter was sent by the consortium, which consists of Lloyds Bank, Standard Chartered Bank and National Westminster Bank to Eagle's offices on Wednesday saying that because of "adverse publicity" and "disunity on the Eagle board" there were questions about Mr Stockdale's suitability as chairman and chief executive.

An £80m banking facility was set to expire yesterday and the banks said they would be willing to extend the facility if a new chairman and chief executive were found by September 29. It is believed a candidate has been suggested by Coopers & Lybrand, the accountancy firm which is advising the banking consortium.

Mr Stockdale, who is also chairman of Iroquois Brands, the US industrial company was appointed to the board of Eagle Trust in May. His camp hit out yesterday at the banks' action, pointing to the problems Mr Stockdale has faced since taking office. Mr Stockdale is also said to be concerned that shareholders' interests might conflict with those of the creditor banks.

Eagle has been forced to call in the Department of Trade and Industry and the Serious Fraud Office to investigate a sum of £13.5m which could not be traced by the auditors. In the first few days after Mr Stockdale was appointed, he discovered that the company was at the limit of its banking facilities and has since been restricted in its ability to make payments.

The Stockdale group said that two group subsidiaries – Eagle Express and MCP Building Supplies – had been "haemorrhaging money" and had had to be put in liquidation and administration respectively.

And attempts to reduce the group's borrowings by selling subsidiaries had been frustrated by the fact that until earlier this month, Mr Stockdale had been in a minority on the Eagle Trust board.

On Wednesday, three Eagle Trust directors were dismissed giving Mr Stockdale effective control of six seats on the seven-member board.

A circular is set to be sent to shareholders over the next few days, announcing an annual general meeting, and Eagle Trust is planning to send out Section 212 notices which are to discover the beneficial holders of a number of nominee accounts.

Mr Stockdale has faced criticism, and the threat of legal action, from some Eagle Trust shareholders because of Iroquois' failure to pay for a 12.9 per cent stake in the group.

He says this was because of his concern over warranties given by Mr John Ferriday, Eagle's former chairman and chief executive, who resigned last May.

Greens divided on single leader

By Ralph Atkins

LEADING Green Party members yesterday appeared divided about tactics over pacts with other parties but signalled that they wanted no significant change to their system of leadership by co-chairs and speakers.

While some speakers at the party's annual convention in Wolverhampton yesterday appeared anxious to leave the door open for possible pre-election pacts or power-sharing in government others favoured more of a "go-it-alone" approach.

In her opening speech Ms Sara Parkin, one of the most prominent speakers, received warm support by both members of the conference and other senior members when she opposed proposals to introduce a single leader.

However, there is likely to be more controversy about a motion proposed by Ms Parkin and likely to be debated on Sunday which proposes seeking agreement with other opposition parties to combine against the Conservative Party on the single issue of electoral reform.

There is a strong lobby within the party which believes that the radical differences between Green and other policies make such alliances politically unrealistic. Ms Jean Lambert, party speaker, said: "It would require the Labour Party to admit that they are finished as a political party."

Yesterday the party opened its biggest ever conference with little sign of the disorganisation some had feared. Instead the growth in the party's membership was given unprecedented media attention. An estimated 700 members attended.

DTI may not prevent Ford bid for Jaguar

By Kevin Done, Motor Industry Correspondent

FORD, the world's second biggest carmaker which has announced its intention to buy 15 per cent of Jaguar, the UK luxury car maker, could press ahead with a conditional offer regardless of the Government's "golden share," which does not expire until December 31, 1990.

A takeover before that date by Ford, or any other company, would be complicated, but it would be possible with the approval of Mr Nicholas Ridley, the Trade and Industry Secretary and the backing of three-quarters of the Jaguar shareholders.

A successful bid would require a change in Jaguar's articles of association, which limit single shareholders to a maximum stake of 15 per cent.

This would require the approval of a special resolution by three quarters of the shareholders at an extraordinary meeting, which can be called by any holder of at least 10 per cent of the equity.

Such an action could still be blocked by the Secretary of State for Trade and Industry, who holds the £1 special right redeemable share, the so-called golden share.

A change in the articles concerning the 15 per cent ceiling on shareholdings could still be blocked by the Secretary of State for Trade and Industry, who holds the golden share.

Such a move would be considered a variation of his rights, but could go through simply with his "consent in writing".

Government officials were at pains to point out yesterday that Ford had made no approach seeking such consent. However, it is understood that the Government would be unlikely to withhold approval of an action backed by a qualified majority of the Jaguar shareholders and the Jaguar board.

The Jaguar board will meet today for the first time to consider the Ford approach, which it described earlier this week as "unwelcome".

Unions at Jaguar said yesterday they were opposed to any takeover, merger or collaboration deal which threatened four vital areas.

They said said Jaguar must retain its research and development capability, its own paint and body facilities, traditional Jaguar methods of car assembly, its existing power train production and its dedicated marketing system.

Mrs Margaret Thatcher, the Prime Minister, said in Tokyo yesterday the proposed Ford stake "seems to me to strengthen Jaguar because it will give them more outlets. I think we can get more orders."

Rolls-Royce plans, Page 16

Time running out fast for finance on high-speed link

Kevin Brown on BR's funds race

Negotiations are going on virtually round the clock to find a way of financing the escalating costs of the proposed high-speed railway line from London to the Channel Tunnel.

British Rail and the two private sector consortia competing to build the line continue to claim that there is hope of keeping the project alive – but time is fast running out.

Mr Cecil Parkinson, the Transport Secretary, has apparently given up hope that a solution will be found in time for an announcement to the Conservative party conference in the second week of October.

But some form of agreement will have to be reached within a few weeks if BR is to meet the parliamentary deadline in November for a private bill to authorise the establishment of a joint venture company and the construction of the line.

There is a great deal to talk about, not least the escalating cost of the project, which new appears likely to cost around £4.5bn at outturn prices (allowing for inflation, but not interest charges).

BR executives say the basic scheme announced in March this year will cost around £3bn at outturn prices, including more than £1bn for environmental improvements included after government pressure.

On top of this, BR wants around £1.1bn for Channel Tunnel rolling stock and improvements to lines in Kent and South London. BR could finance this separately, since it will have to run trains on existing track for several years after the tunnel opens in 1993 whether a high-speed line is built or not.

However, it is seeking to include this element in joint venture financing because it regards the years before the high-speed line opens as an integral part of the project.

This approach is not thought to pose great difficulties for the two consortia, headed by Trafalgar House and Peninsular and Oriental Steam Navigation. Indeed, passenger services in the early years after the opening of the tunnel could provide a revenue flow to help finance construction work on the new line.

However, there is a real problem over the cost of 60 extra environmental improvements BR believes are essential if the private bill is to stand any chance of passing through parliament.

The cost of this work is under discussion between BR and the two consortia, and executives will only say that the total cost will be "several hundred million pounds," taking the total cost to around £4.5bn.

It is the cost of additional work which has pushed the project beyond the point where the private sector consortia can achieve their required real rate of return of between 12 per cent and 15 per cent.

"I cannot say that the project was viable on this basis before including the additional environmental spending, but what is categorically beyond doubt is that the changes make it more difficult to bridge the gap," one senior executive said yesterday.

Part of the problem is that BR and the private sector consortia do not agree about traffic and revenue forecasts for the line.

The forecasts being used by the private sector are relatively optimistic, but not high enough to provide a commercial rate of return. BR is sticking to more conservative traffic forecasts which would not provide even the real rate of return of 8 per cent required by nationalised industries.

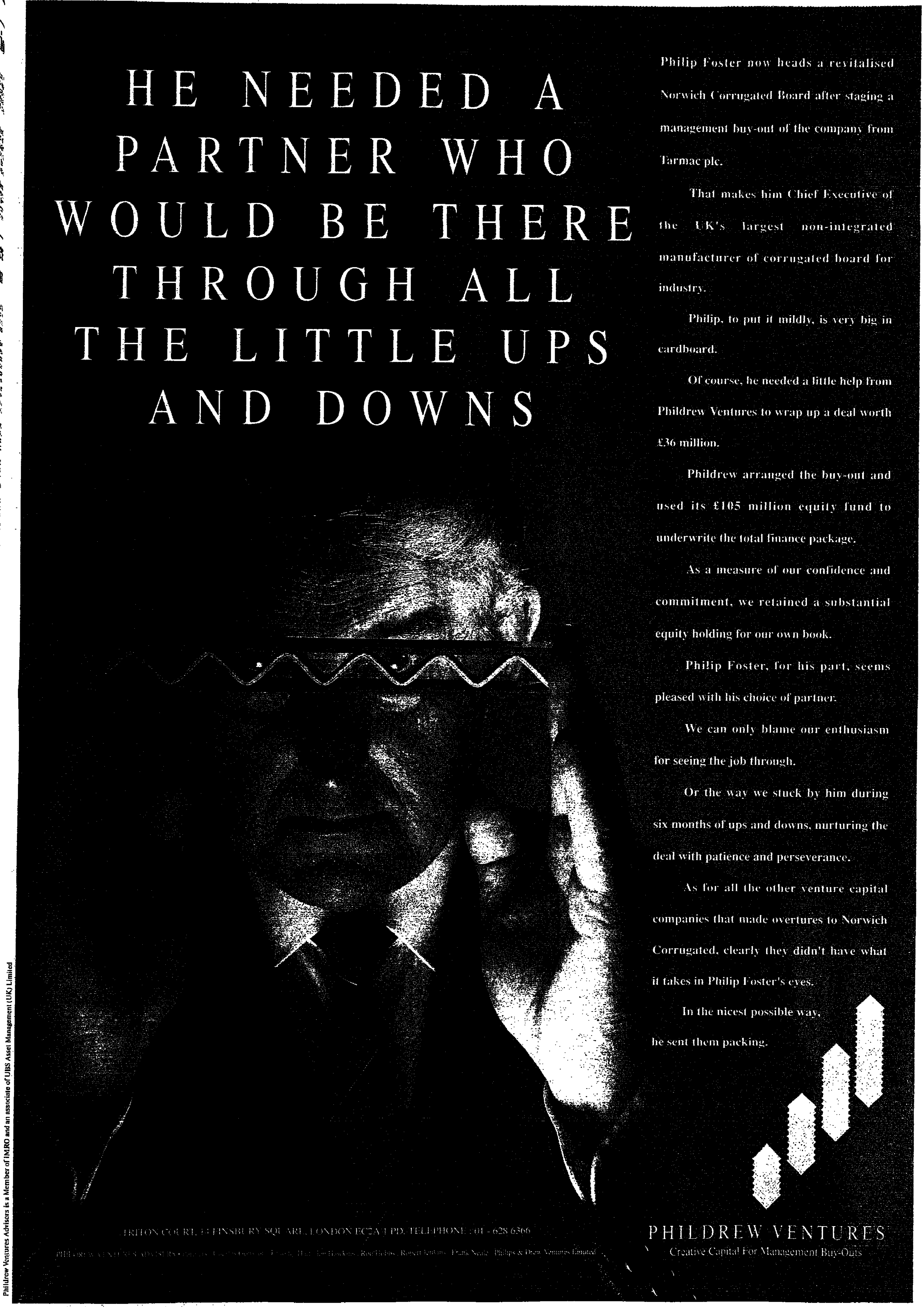
Discussions between BR and the consortia centre around the structure of the joint venture company to build and operate the line.

Officials have taken on board a suggestion that the company have a small amount of equity finance, possibly split 50/50 between BR and one of the consortia, and a large amount of loan finance provided by the banks, with the balance coming from an issue of redeemable preference shares, convertible debentures, or some other form of non-equity finance.

However, this might be difficult to sell to investors without some form of Government guarantee, and could complicate the future flotation of BR as a private company because of the difficulty of allocating the debt between successor companies.

● Mr Parkinson yesterday announced the early retirement of Mr David Kirby, vice chairman of the British Railways Board, and the appointment as chief executive of Mr John Welsby, the director in charge of the high-speed Channel rail link project.

On the slow track at Le Mans, Page 2



HE NEEDED A PARTNER WHO WOULD BE THERE THROUGH ALL THE LITTLE UPS AND DOWNS

Philip Foster now heads a revitalised Norwich Corrugated Board after staging a management buy-out of the company from Tarmac plc.

That makes him Chief Executive of the UK's largest non-integrated manufacturer of corrugated board for industry.

Philip, to put it mildly, is very big in cardboard.

Of course, he needed a little help from Phildrew Ventures to wrap up a deal worth £36 million.

Phildrew arranged the buy-out and used its £105 million equity fund to underwrite the total finance package.

As a measure of our confidence and commitment, we retained a substantial equity holding for our own book.

Philip Foster, for his part, seems pleased with his choice of partner.

We can only blame our enthusiasm for seeing the job through.

Or the way we stuck by him during six months of ups and downs, nurturing the deal with patience and perseverance.

As for all the other venture capital companies that made overtures to Norwich Corrugated, clearly they didn't have what it takes in Philip Foster's eyes.

In the nicest possible way, he sent them packing.

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UK NEWS

Alleged security leaks intolerable says Irish PM

By Our Belfast Correspondent

MR CHARLES HAUGHEY, the Irish Prime Minister, yesterday condemned as intolerable and appalling a string of alleged security leaks by Northern Ireland police and part-time soldiers to loyalist terrorist groups.

His comments came as Mr Hugh Annesley, the Royal Ulster Constabulary Chief Constable, moved to ease nationalist fears and political anxieties over seven alleged leaks, involving 83 republican terrorist suspects, which are under investigation by Mr John Stevens, the Deputy Chief Constable of Cambridgeshire.

There have also been allegations that loyalist paramilitaries used leaked security forces files to extort money from Belfast building contractors.

Mr Haughey said the "daily revelations" of security leaks in the north built up "an appalling picture. The present situation cannot be tolerated and must be resolved."

Mr Annesley insisted that the RUC was committed to impartial policing and was "deeply concerned" about allegations that some security personnel had colluded with the Ulster Freedom Fighters, a loyalist terrorist group.

He said the RUC, the Northern Ireland police force, would not tolerate wrongdoing in its own ranks, or flinch from tackling it in any other branch of the security forces.

At Belfast High Court yesterday, a Crown lawyer said an Ulster Defence Regiment soldier accused of murdering two Roman Catholic men targeted them for murder squads operated by the UFF.

Opposing an application for bail by Andrew Browne, aged 25, a former regular soldier, the lawyer said Browne had passed the names of 14 people he suspected of being in the IRA to a contact in the Ulster Defence Association.

He is accused, with two other men, one of them also in the UDR, of murdering Mr Loughlin Maginn at Rathfriland, Co Down in August, and Mr Liam McKee at Lisburn, Co Antrim in June.

The lawyer said Mr Browne followed the suspects around Belfast and South Down, taking notes on their movements, homes, cars, workplaces and acquaintances, and passed the information to his UDA contact, knowing that the UFF – which has strong links with the UDA – had a hit squad carrying out murder attempts.

A lawyer for Browne said he got involved with the UDA after seeking its help to stop people smashing windows in his home. The UDA made clear in return that he owed a favour and that if he did not co-operate they would "sort him out."

The bail application was refused.

Retailers say debit cards add to costs, affect prices

THE Retail Consortium, the trade body representing retailers, yesterday wrote to Sir Gordon Borrie, the Director-General of the Office of Fair Trading, complaining that the operation of Visa debit cards adds to retailers' costs and results in higher prices, writes Maggie Urry.

Retailers can accept the debit cards only if they also accept Visa cards, under the "honour all cards" rule which the banks operating credit cards have established.

Retailers believe the Monopolies and Mergers Commission, which reported on credit cards last month, was restrained from commenting on debit cards because its terms of reference only covered credit cards. The consortium says small retailers have to pay two or three times as much for a transaction using a Connect debit card as a cheque.

Rolls-Royce unveils investment programme

By John Griffiths

ROLLS-ROYCE, the Vickers-owned luxury car maker, is reorganising production processes as part of a £20m investment programme expected to culminate with a new Rolls-Royce and Bentley range by 1996.

Mr Peter Ward, chief executive, said yesterday that productivity had already risen sharply through the introduction of flexible production facilities. They were being introduced in stages and would co-ordinate all aspects of the company's operations in a central database, Mr Ward said. Further gains were expected from re-equipment over the next few years.

Mr Ward also said that Rolls-Royce was taking on a 250 more workers to help meet rising demand. The main site at Crewe, north west England, employs 4,000. Another 600 work at the company's Mulliner Park Ward coach works near London.

While Mr Ward refused to make specific sales forecasts, Rolls-Royce appears poised once more to break through the annual sales figure of 3,000, not seen since the mid-1970s.

World sales reached 2,134 in the first eight months of this year, up 18 per cent on the period of last year. Last year's overall sales were 2,801 – a far cry from 1,700 to which sales slumped in the early 1980s recession.

The company has also reduced its dependence on the North American market, where a downturn has hurt other European luxury carmakers.

While the company's North American sales remained virtually static in the first eight months at 726, compared with 724 in the same period last year, sales in the UK have risen by 20 per cent, making Britain Rolls-Royce's single largest market for the first time in the company's recent history.

The UK 786 sales in the first eight months accounted for nearly 27 per cent of the world total while the share taken by North America fell to 34 per cent from just over 40 per cent last year.

Good News for modern persons

Alan Pike on publication of a new, non-sexist version of the bible

THE CULMINATION of one of the great, centuries-old marathons of scholarship and publishing – the production of a new translation of the Bible – was celebrated in London yesterday.

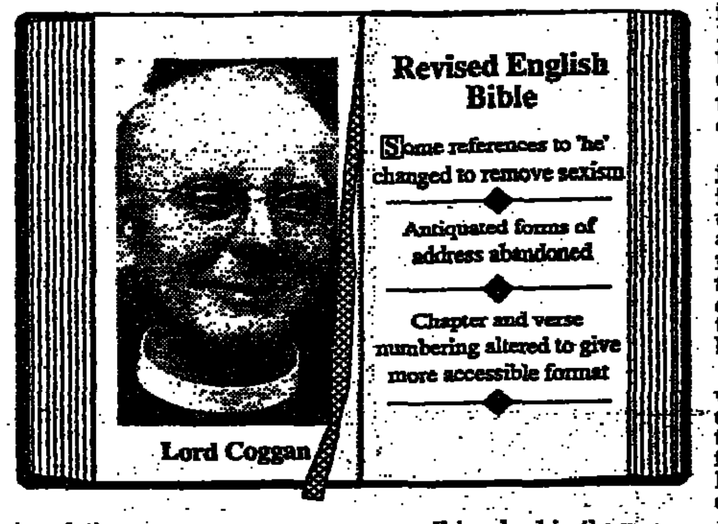
Next week, the Revised English Bible will go on sale around the world, with an initial 100,000 copies in bookshops in the UK and 200,000 in the US, where it will be included in book club catalogues. Editions will also be published in Canada, Australia and the Far East, and worldwide sales are certain to run into millions.

The new Bible has been in preparation for 15 years. It is designed to supercede the New English Bible, which appeared in New Testament form in 1961 and complete in 1970.

The publication of the New English Bible was greeted with controversy over the quality of its literary style. Members of the team responsible for the latest translation have been far more concerned than their predecessors to produce a Bible which will sound dignifed when read aloud in churches.

But the New English Bible team has not repeated its predecessor's use of a panel of contemporary literary giants to advise on phraseology. Some writers, including the late Philip Larkin, the poet, and Mary Stewart, the novelist, were consulted, but so were typists, proof-readers and copy editors working on the project. It is hoped that this has given the final version a more natural style and broader appeal.

Many readers are likely to consider that the Revised English Bible makes more elegant use of contemporary English than other recent translations.



Oxford University Press and Cambridge University Press will publish the Revised English Bible in the UK. The university presses have produced bibles since the late 16th century and the revision has been financed from the proceeds which the two publishers receive from the New Engish Bible.

Lord Coggan, former Archbishop of Canterbury and chairman of the joint committee of the churches responsible for the project, said yesterday that the aim had been to offer "dignity of diction, integrity of scholarship and intelligibility."

The new Bible is distinctive in being the first fully ecumenical one in English. Representatives of the Church of England, the Church of Scotland, the Roman Catholic Church, the Methodist, United Reformed and Baptist Churches, the Salvation Army, Quakers and Moravian Church were all involved in the preparation of the final text.

The Revised English Bible dispenses with those references to "thee" and "thou" which survived in the New English Bible, but reverts to a more conventional chapter and verse presentation to make it easier to read aloud.

Another novel feature – and the one likely to attract most popular attention – is the conscious effort which the translators have made to avoid the use of "man", "men" and other sexist language in passages referring to both sexes.

Thus the Authorised Version's "true Light, which lighteth every man that cometh into the world" becomes the "true light which gives light to everyone." It is now "whichever of you is free from sin," rather than "he that is without sin," who is invited to cast the first stone.

But a Bible purged of all sexist language? "For men this is impossible," says the new Bible on the subject of salvation, illustrating in the course of doing so a problem so far as the English language is concerned.

A Bible produced in neutral, inclusive language would involve changing the interpretation of the ancient sources and, carried to the extreme, require removing references to the Son of God and the Kingdom of God. But the translators came up against more basic problems as well.

"Modern English is not too well equipped to express gender in inclusive terms," says the Rev Prof William McHardy, former regius professor of Hebrew at Oxford and the project's director of revision.

Because of this problem, some attempts to introduce non-sexist language start more promisingly than grammatical accuracy compels them to conclude. The Authorised Version's "Greater love hath no man than this, that a man lay down his life for his friends," becomes "There is no greater love than this, that someone should lay down his life for his friends." Similarly, "If a man says I love God and hateth his brother, he is a liar," becomes "If someone says 'I love God' while at the same time hating his fellow-Christian, he is a liar."

With spoken English currently adapting to the use of sexually inclusive terms, however, it is likely to be acceptable to sort out such problems during the next complete revision of the Bible, some time in the next century.

Standard versions of the new Bible will be on sale for £8.95, or £9.95 with Apocrypha.

Left-wing think tank endorses road charges

By Kevin Brown, Transport Correspondent

THE Institute for Public Policy Research, the recently formed left-wing think tank, yesterday sprang a surprise in its first policy document by endorsing the introduction of charges for road users as a way of easing congestion.

The institute, chaired by Baroness Blackstone, master of Birkbeck College, London, was set up to counter the influence of free-market think tanks such as the Adam Smith Institute and the Institute of Economic Affairs.

Ms Patricia Hewitt, deputy director, said the institute had chosen the controversial subject of traffic charges as part of its attempt to tackle policy subjects taboo among other left-wing groups. It has been controversial among Labour Party policymakers because of claims that it would discriminate against the less well-off.

The report's main conclusion is that growth in car ownership, forecast to rise by 142 per cent by 2025, can be catered for only by encouraging more discriminating road use.

The institute sees road pricing as part of a comprehensive transport policy which includes other measures such as the removal of tax subsidies for company cars and improvements to public transport, especially buses.

The institute concedes that road pricing would hurt the rich less, but claims that the greatest beneficiaries would be public transport users.

It favours using a pre-paid smart card inserted in a small in-car computer which would register charges when the vehicle was in restricted areas.

Home loan figures show signs of revival

By Eric Short

THERE are signs of confidence returning to the UK housing market after more than year, according to figures issued yesterday by the Building Societies Association.

These show net new commitments in August rising by nearly £500m to £4.32bn from July's £3.83bn. The Abbey National, Britain's second biggest building society before its summer stock market flotation, has been excluded from the past two months' figures, rendering misleading any comparisons with the same period last year.

Mr Mark Boleat, director-general of the BSA, said the figures suggested that building societies were continuing to increase their share of the mortgage market. Most recent estimates suggest they account for at least 65 per cent of new mortgage lending.

Building societies have had the advantage of being able to hold home loan rates steady for several months because interest rates on savings have also remained steady. At present, money is cheaper is acquire from private investors than from the institutions.

House price fall effects queried

RECENT falls in UK house prices may not dampen economic activity as hoped, the Ernst & Young ITEM Club, which produces economic forecasts, said yesterday, writes Simon Holberton.

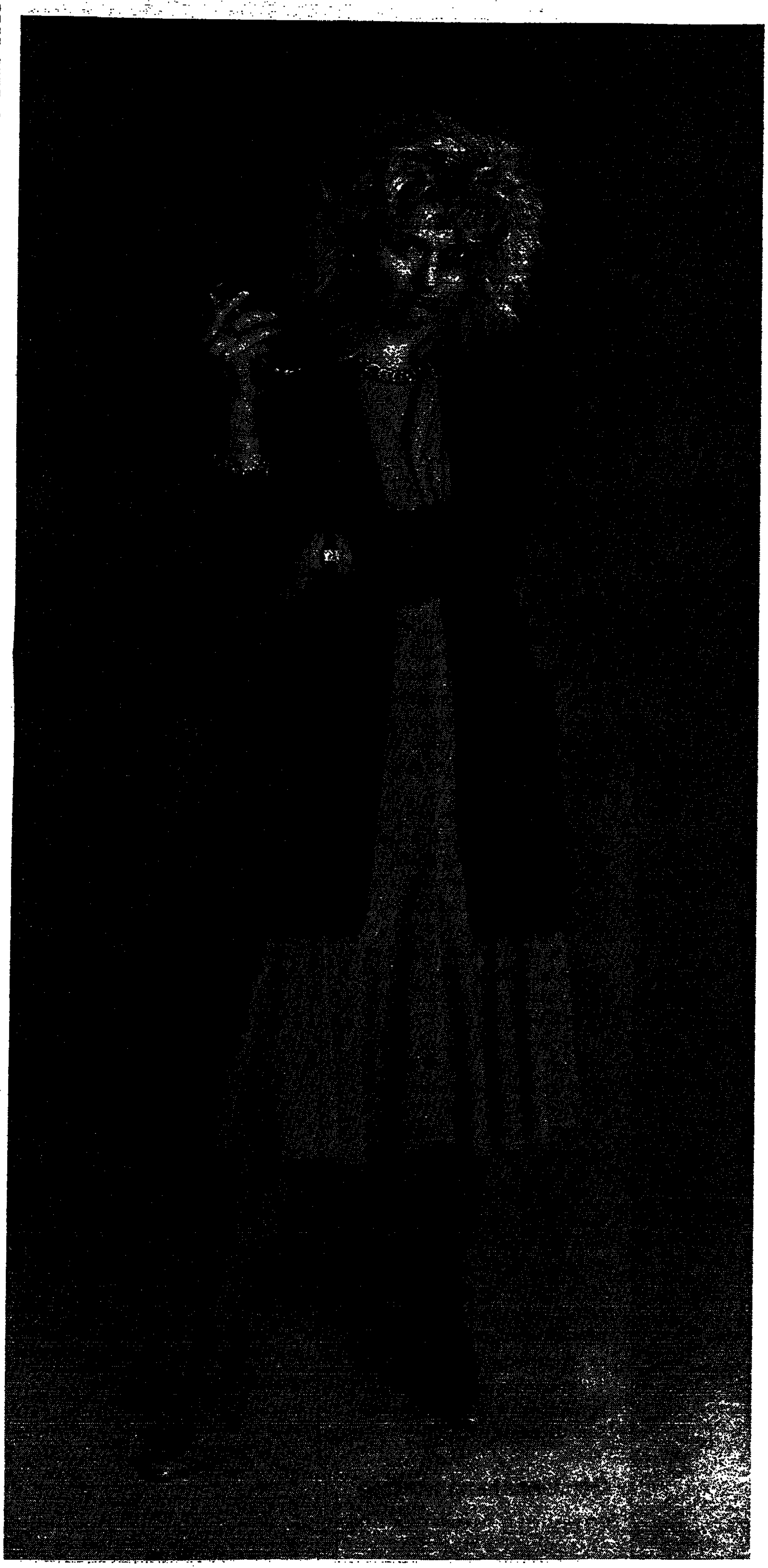
Last year's 23 per cent house price inflation added £171.4bn to the value of Britain's housing stock, estimated at £925bn at the end of 1988, the pan-European study said.

To UK individuals, their wealth tied up in housing is twice as important as it is to Germans, and one-and-a-half times as important to the French and Italians.

As house prices rise in the UK there is less need for individuals to increase the amount of current income they save for future expenditure. Money is spent instead, which puts upward pressure on prices.

Sirkka Nieminen

Our Senior Trader on the Secondary Markets Desk.



Shane Longman may not be the largest merchant bank in the City of London – but it is definitely one of the sparkiest.

And few of its staff are sparkier than Ms Nieminen, pictured here.

She's volatile and short-tempered. She's talented, too. But when things start to go wrong, Sirkka's not above lashing out at anyone who annoys her.

Including some of the bank's most important clients...

She's as tough as an ox.
She's as brave as a lion.
And when things start to go wrong, she drinks like a fish.

Sirkka may be a magnet to trouble, but she's going to be one of the most popular characters in Thames Television's new drama serial, "*Capital City*."

It's a compelling new serial, researched in the real world of high finance and executive stress. It's got a lot of very powerful characters and it's on at *9 o'clock, on ITV, on Tuesday nights.*

Sirkka probably wouldn't watch it, because she'd be down at the wine bar, getting into trouble.

Why not stay in, put your feet up, and join her?

THAMES TELEVISION XXI

Shane Longman

A merchant bank worth watching.

Director's personal liability: the increasing risk

By Ian Lupson and Martin Piers

Over the last 18 months the number of circumstances in which, in theory, directors may find themselves personally liable for wrongs which they might formerly have believed to be those of their company has risen significantly.

Earlier this year, in two entirely separate cases, the High Court made decisions which should serve to emphasise that this widening of personal civil liability is far from illusory and can be of major consequence to those involved.

Historically, directors of limited companies have had something of an easy time in the liability stakes. The opportunities for an aggrieved party to seek legal redress have been tightly drawn, and the standards imposed by the courts on the occasion when such matters have been brought before them have not been uniformly high.

Various explanations can be put forward for this, one of which is the practical difficulty of finding a common yardstick to apply to a body of people who by and large do not share *any common qualification.*

However, since the enactment of the Insolvency Act and the Company Directors Disqualification Act in 1986, it has been possible to detect a sea change – in Parliamentary thinking at least. The question was whether judicial attitudes would mirror this development. The answer may be yes.

The Insolvency Act introduced for the first time the concept of "wrongful trading" – an activity for which a director may be found liable at the suit of the company's liquidator should the company go to the wall (section 214).

In the simplest of terms this potential liability arises where the board continues to permit the company to trade (and thus to incur liabilities) in circumstances where it ought to have known the company would fail.

The first reported decision involving section 214 was *Re Produce Marketing Consortium Ltd (in liquidation)*, before Mr Justice Knox in March of this year[1]. This was a case brought by the liquidator of Produce Marketing Consortium seeking from its two former directors a personal contribution to the assets of the defunct company of over £100,000.

The litmus test of section 214 liability is whether the directors "knew or ought to have known" of the impending calamity. In the *Produce Marketing* case the facts were sufficiently clear, in that the most recent auditors' report had specifically warned the board of the risk. A finding of personal liability was, therefore, not surprising.

Of greater interest, however, was the preliminary reasoning applied by the judge in deciding his approach to the case, and his assessment of the contribution figure to be awarded against the directors.

The court took note of the fact that Parliament has evinced (in the 1986 Act) its intention to widen the scope of the relevant legislation in this area – specifically by removing the need for any intent to defraud or fraudulent purpose on the part of the defendant (none was found in the *Produce Marketing* case).

The necessity to prove intent had been the block over which almost all previous attempts at holding directors personally responsible (fraudulent trading) had stumbled.

However, the judge did not believe that the fact that fraud was not found should mean that the level of contribution (which the Act makes a matter for the judge's discretion) should be nominal. Parliament appeared to intend to punish something other than just fraud, that is something lower in the culpability scale.

Contribution was ordered in the sum of £75,000, against an amount claimed of £107,946, although clearer judicial guidelines as to how the appropriate figure should be arrived at might have been helpful.

Hot on the heels of this development came the decision in *Saunders v Harvey*[2], not a case involving statutory liability, but one which also serves as a pointer.

Since the case of *Hedley-Byrne v Heller*[3], English law has recognised that in appropriate circumstances a party might be held liable for negligent mis-statement. This has been despite the fact that losses arising from negligent mis-statement are likely to be purely economic, recovery in respect of which the Courts seem consistently to have set their collective face against in other areas of Tort law.

The question which arose in the *Saunders* case was whether a representation made on company headed notepaper could be construed not merely as the representation of the company concerned but as that of the director responsible, such that he might be held personally liable under the principle in *Hedley-Byrne*. In the *Saunders* case the court decided he could.

In this particular case the unfortunate Mr Harvey effectively *was* the company and it was his expertise, not the company's, the clients wanted. This is not an uncommon position with many small limited companies.

The mis-statement in question here was contained in a letter on the company's headed paper, bearing Mr Harvey's reference, signed for him by his wife. That was enough: Mr Harvey was found personally liable.

Although the Court did not feel that, in reaching its decision, *it was extending this* area of liability, still the decision has been received as a departure and as illustration of a wider trend towards personal liability.

One can see this mirrored in various other aspects of present day society. The aftermath of the Zeebrugge tragedy has seen P&O and certain of its directors facing *allegations* of personal liability (this time criminal liability) arising out of their perceived responsibility for those dreadful events.

Individuals are seen to increasingly be faced with personal consequences for actions they take in the ordinary course of their jobs.

There is one feature that is peculiar to the commercial position, however. This is the dichotomy between the shareholder with limited liability and the director, who potentially faces unlimited exposure.

The Names at Lloyds know of the potentially unlimited liability they face, but are most directors aware of this exposure when joining a board?

Liability insurance to cover such risks is becoming increasingly popular. Just as Names at Lloyds obtain stop loss insurance to limit their own exposure, so directors and officers are increasingly seeking personal cover.

There is a wide variety of policies available but each seems to have one important feature in common with its competitors and that is that all the policies seem to include cover in respect of the policy holders' legal fees incurred (although some provide for reimbursement of fees incurred which can cause severe cash flow difficulties).

In the United States, where instances of personal liability being alleged are many times more common than they have been *to date* in the UK, defendants often find that their legal costs are such that they simply cannot afford to "stay in the game" and must therefore contemplate settlement.

The casual observer might inquire how this can be so in the land of the contingent legal fee, but it seems to be a fact that US law firms engaged in the area of *liability for* directors and professional advisers are not given to agreeing to act on a contingency basis.

As we become ever more litigious on this side of the Atlantic personal liability for directors will become more widespread and recognised, with insurance cover for directors becoming an accepted part of a company's insurance portfolio.

Ian Lupson is a solicitor with and Martin Piers a partner of City solicitors, Gouldens.

1 FT Law Reports, April 14 1989.

2 Times Law Reports, May 10 1989.

3 [1964] AC 465.

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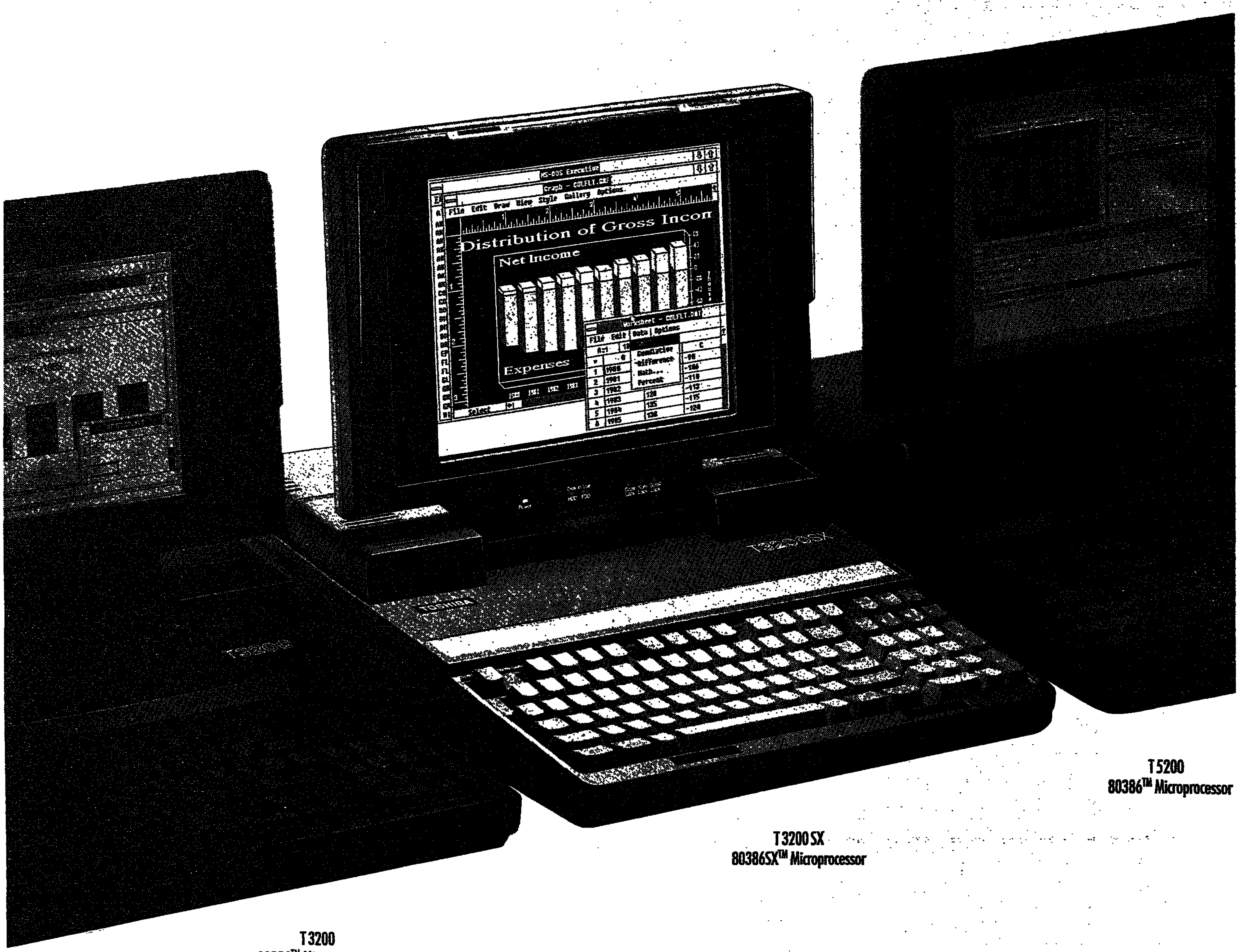

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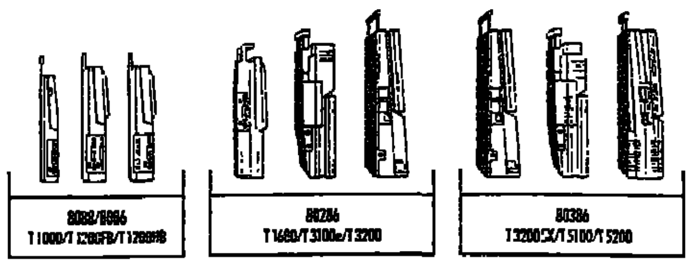

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MANAGEMENT

Coloroll

Trying not to glaze over the cracks

Michael Skapinker on the ceramics division's quality scheme

One doesn't have to look far to see quality problems at Coloroll's ceramics division. In one of its crockery factories in Stoke on Trent, a skip full of cracked plates, broken bowls and mugs without handles awaits removal.

As we walk round the Stoke factory, a mould breaks, its flying fragments narrowly missing an employee's face. And a brochure promoting the company's "fun mugs" carries a picture of one of its products emblazoned with the misspelled slogan "I'm trying to loose weight".

Philip Green, Coloroll's chief executive, says he does not know how much quality problems and waste cost the group. Last year the company, which makes home furnishings, wall coverings, carpets, glassware and ceramics declared pre-tax profits of £55.6m. "I would wager that if we had 100 per cent quality we could double our profits," he says.

Eighteen months ago, Coloroll began to think about how to reduce the costs of poor quality. The result is a scheme called Quips – the Quality Improvement Programmes, which made its debut in the ceramics division's Meir Park site in Stoke on Trent last November. Coloroll's glassware division has also started running the programme. Green says he intends to introduce Quips into the rest of the group over the next six to twelve months.

Coloroll Ceramics is made up largely of the old Staffordshire Potteries company, which Coloroll acquired in 1986. The staff there already had some experience of quality programmes. Managers had studied video tapes of the American quality guru J M Juran and had set up quality circles.

Judy Broughton, Coloroll's employee relations director, says, however, that the quality circles had not been a success, largely because they focused on whatever quality problems interested them, rather than on those which were costing the company money.

What Quips attempts to do is identify the company's most serious quality problems and set up teams to resolve them. Barry Hawkins, a manager who is a member of one of the Quips teams, agrees with Broughton that the quality circles were too unfocused, meeting on predetermined days regardless of whether or not they had problems to deal with. "The big difference with Quips is that you only get together when you need to," Hawkins says.

Quips begins with a one-day on-site course attended by senior production managers, as well as managers from administrative departments like accounts. The managers spend the day discussing which quality problems to focus on and learning about statistical techniques to measure them.

The one-day event is followed by a two-day course for a smaller group of senior managers who are interested in learning more about the statistical side of quality control. Broughton designs this course in collaboration with a local college or polytechnic. The aim, she says, is to develop a small group of quality specialists on each site.

By measuring the frequency with which faults and quality problems occur, as well as the resulting cost, managers can then decide on which areas to concentrate.

At Coloroll Ceramics, Gordon Wareham, the managing director, says that the level of waste in his factories ranges from 12 to 20 per cent.

About 80 managers were involved in the Meir Park one-day course. After the course 14 Quips teams were set up, of which 11 are still operating. The other three have completed their work.

Brian Bradbury, head of technical services at Meir Park, heads a team looking at what gets thrown away. "We're spending £100,000 a year just to dispose of waste. The first thing we did was to delve into the skips – literally. As a result we were able to see what was going out. We then set ourselves the objective of reducing the waste disposal costs by 10 per cent over a year," he says.

"We started in November. Things are not yet under control, but they are a wee bit better. Over the first three months, we did not quite reach 10 per cent, but we're now beating that."

Coloroll Ceramics is trying to reduce its waste bill at the very moment that disposal costs are rising. There are fewer areas available for tipping. Tipping charges have risen by up to 33 per cent.

Among the projects that on which Bradbury's team is working is selling waste paper from their offices for recycling rather than sending it out in the skips. It is looking at whether broken and chipped ceramic products can be crushed, reground and re-used. It is also examining whether plaster moulds can be sold off and reprocessed for use in other industries.

A second Quips team is looking at the production of mugs. Those which have a blemish on them can be sold at a lower price. This is not true, however, of mugs which are made specifically for companies with a corporate logo or message on them. If there are any faults on these they have to be thrown away.

A Quips team is attempting to reduce the wastage of these special mugs, which was running at 12 per cent when the project started. It was decided to recruit two people to inspect mugs after they were decorated but before they were fired in the kilns. Before firing, mug decorations can be polished off and then reprinted.

The wastage has now been reduced to 6 or 7 per cent. The Quips team wants to get it down to 5 per cent. After allowing for the two people hired, the team says the inspection system has saved £10,000 to date and will result in savings of £25,000 over the year.

Is it right, however, for Coloroll to improve its quality by adding more quality inspectors? Shouldn't the aim be to get things right the first time, rather than for inspectors to spot mistakes after they have been made? Dave White, the head of this Quips team, says that the operators applying the decorations work too fast to spot all the mistakes.

The question of inspection is not limited to the production of special mugs. At the Coloroll ceramics factories, a group of employees looks at products before they are packed, taking out those that are not up to standard. When the various quality improvement programmes have had their effect, Tony Convey, the Meir Park production director, says the inspection team should be rejecting fewer items. "Obviously, the fewer faults there are, the quicker the selectors can work. But the aim of this is not to eliminate those people's jobs."

Coloroll managers say that if a piece of wallpaper has a flawed pattern, the company's reputation would suffer. If Coloroll mugs are chipped and children cut their lips on them, the consequences could be more serious. "If that happens to us, it's Esther Rantzen," says Mike Waters, head of production for dinnerware, referring to the presenter of a BBC consumer affairs programme.

There are other aspects of the Quips programme to which quality purists might object. The American quality specialist Philip Crosby says that the only acceptable level of defects is zero. Coloroll appears to be looking for improvements which fall short of a zero defect standard. Philip Green, the Coloroll chief executive, says: "I don't believe that in a factory using raw clay and this many processes that it's achievable." Although zero defects might be a long-term objective, it is more important to keep driving the level of waste down, he says.

Some consultants argue that factory operators already know the answers to most quality problems. All managers need to do if they want to know the answers is to ask their subordinates. Yet while Coloroll's Quips programme includes managers and first line supervisors, it does not include more junior employees.

Judy Broughton says the reason other employees have not been included is that it is important for managers to improve their own performance first. "Quips is aimed at managers. If you can get them working on the big problems, they can then go to the workforce with clean hands and say 'now it's your turn'."

She argues that Coloroll's team briefing and suggestion scheme provide a means for the workforce to make their contribution. A Quips team of middle managers and supervisors, working on ways of reducing breakages of ceramic frames that carry products through the kilns, say that they consult the operators anyway. They could not, they say, come up with viable solutions without them.

Philip Green: important to drive down the level of waste

Top ten ranking

Putting Europe's business schools under the microscope

By Andrew Fisher

Europe's business schools are not used to being put under the microscope. Nor is it something they relish. In the US, league tables are common. But comparisons of the performance of top management academies in Europe are rare.

For the second year running, Cox Communications, a Frankfurt-based marketing consultancy, has drawn up a list of Europe's top ten business schools offering Master of Business Administration degrees.

In first place is the Rotterdam School of Management, part of Erasmus University. Insead, the French-based business school which many rate as Europe's best, comes a surprising seventh.

William Cox, head of Cox Communications, says around 30 schools were assessed, of which a handful would be capable of making the top 10. "Anyone in the top ten is basically very good," he says.

But some have been quicker to adapt and innovate. At Rotterdam, for example, the new business informatics degree goes further than other courses in showing how information technology can help in decision-making. Developed with the University of Michigan, it leads to an MBI (Master of Business Informatics).

Insead was obviously not happy with its seventh place. Cox says the Fontainebleau school still relies heavily on US case studies and has not changed its methods for some years. He admits that it still has the best image among European business schools. "But it just doesn't change; it's not dynamic enough."

How does Cox evaluate the top European schools? The 20 criteria include the content of the courses and the quality of the teaching, relations with business, the usefulness of the degree to companies, the competitiveness of admission, the way in which schools manage themselves and their finances, image, how students fare after their studies, and value for money.

Rotterdam scored highest on dynamism, the number and quality of lecturers, and in the way it managed itself. It also did well in terms of value to companies, both Dutch and international.

The schools with the best image were IMD in Lausanne and Insead, with Barcelona-based IESE and Rotterdam not far behind. Zurich's GSBA (Graduate School of Business Administration) had the poorest image; it is less known even in Switzerland than some other schools and hardly known abroad except in Germany. However, GSBA scored well on usefulness to Swiss and international companies and, not surprisingly in view of the language, highest of all in value to German industry.

At most schools, Cox feels students are too young at between 26 and 28 to set what they learn in the context of real management experience. Some schools employ teachers with little senior management experience; Insead has few faculty members with more than five years as managers.

He cites Manchester Business School and GSBA as schools which try to attract older students, between 30 and 45, who want to improve their strategic thinking after five years or so of senior management experience.

Since older students are less likely to accept all they are taught, dialogue is an important element of tuition. GSBA and Manchester also gear their courses more towards long-term decision making. In this respect, Cox notes, Rotterdam is not necessarily the strongest.

Also, Cox reckons that schools in Europe, while proud of their international perspective, are sometimes far from being truly European. IESE, for example, use the American case study method with few basic changes.

This raises two obvious questions. First, what use are such rankings? To this, Cox, a German-born American whose background is in public relations and market research, answers that European companies asked for such an exercise after he had written about business schools in the German press.

Secondly, why are no schools from West Germany listed? It is, after all, the strongest economy in Europe. Cox says German schools, which do not offer MBAs, are lacking in practical or strategic orientation, a view also held by Daniel Goeudevert, the former head of Ford in Germany who is now a Volkswagen director. He is trying to lay the groundwork for a new business school, with strong links to industry and finance.

But even if the top MBA schools are not in Germany, most of Cox's potential readers are, since the book is available in German only. He intends, though, to broaden its appeal by publishing English and probably French, Italian, and Spanish editions in future. So however business schools feel about being put under the microscope, the examination is likely to intensify.

* *Die Top-Ten 1989-90. MBA-Schulen auf dem Prüfstand. ("MBA-Schools under examination"). DM80. Published by Cox Communications Consultants, Schwarzburgstrasse 56, 6000 Frankfurt 1, West Germany.*

Top 10 European Business Schools*

Position	School	Points†
1	Erasmus/Rotterdam(3)	132
2	IMD, Lausanne (**)	131
3	GSBA, Zurich(4)	126
4	Institut Supérieur des Affaires Jouy-en-Josas, France(2)	125
5	Manchester Business School(8)	120
6	SDA Bocconi, Milan(9)	117.5
7	Insead, Fontainebleau(5)	117
8	Nijenrode - the Netherlands School of Business, Breukelen(5)	113
9	IESE, Barcelona(6)	112
10	London Business School(7)	103.5

*Previous year in brackets. †Maximum points possible, 165. **Result of merger between IMI, Geneva, (1st in 1988) and Imede, Lausanne (10th). Insead and Nijenrode shared 5th place last year

TECHNOLOGY

Magnetic levitation promises a form of rail transport that is both high speed and economical. FT writers examine progress in Japan and West Germany

Parallel tracks to a frictionless goal

When it comes to transportation, Japan offers more challenges than most countries, with its largely mountainous terrain and huge population concentrations.

That is probably why the Japanese have been notable innovators in transportation systems – introducing high-speed "bullet" trains, or shinkansen, in 1964 and one of the world's first monorail lines in the same year. Continuing this tradition, Japanese development groups are these days promoting not one, but two, magnetic levitation (Maglev) linear motor train systems.

Maglev systems offer the potential of very high speed and economical travel because the train is held above the ground by magnetic force, eliminating friction. The linear motor also uses magnetic force to propel the train, in effect by straightening out a rotary electric motor.

Various groups in the US and Europe have studied Maglev systems and serious developments are under way in West Germany as well as Japan. One of the few operating Maglev lines is in the UK, connecting Birmingham airport with its railway station – although it is very short and does not explore the speed potential of the technology.

Despite the commonality of the basic technology, the two Japanese projects are as different as chalk and cheese. The more ambitious one, sponsored by companies in the privatised Japan Railways (JR) group with substantial government backing, aims at completing a heavy duty, high-speed (500 kph) line between Tokyo and Osaka early in the next century. Part of its purpose is to take custom away from the airlines on that route by reducing the surface travel time between the two cities from three hours on the bullet train to one hour.

The other system was developed by a group within Japan Air Lines in 1974 with exactly the opposite purpose: to increase the airlines' custom. JAL saw it as an easy solution to the problem of moving people between airports and cities, and envisaged light vehicles travelling at speeds of up to 300 kph on elevated guideways. The venture was hived off by JAL in 1985 to a company, HSST Corporation, controlled by the developers.

The main technical difference between the two systems is in the way they use magnetism. The HSST uses the power of attraction. The vehicle's metal shoes curl underneath the fixed guide rail and, when magnetic force is applied, they are attracted upwards towards it, thus lifting the vehicle.

In contrast, the JR vehicle's shoes sit on the guide rail and are repelled from it. "It is simple, our system is attractive and theirs is repulsive," a JAL official says.

The different approaches stem from the different missions behind the two systems. In the JR case, because the trains will be quite heavy and run at very high speeds, the group is concerned about the smoothness of the roadbed. Given the frequency of earthquakes in Japan and wide variation in the stability of the ground foundations, it acknowledges that minor humps will inevitably develop. Thus, it sought to maximise the levitation and concluded that the height it wanted, 10 cm, could only be achieved by using superconductive alloy magnets and the repulsion principle.

The HSST system, like other Maglev systems, operates at only 1 cm or 2 cm above the guide rails. However, as the carriages are lightweight and the speeds envisaged relatively modest, HSST does not think there will be problems with the roadbed, even in Japan.

The technology in the HSST has been proved and the system has been available for sale for several years. So far, the company has not yet succeeded in getting its product beyond the international exposition circuit, but it has hopes of landing contracts for urban systems in Las Vegas and Nagoya in the near future.

The JR system, on the other hand, still has technical hurdles to overcome despite 17 years of testing, mainly because of its ambition to achieve very high speeds. From JR's viewpoint, the Maglev technology is only of interest because it offers the potential to take the next big step in rapid ground-based transit. However, ground travel at 500 kph, which is what JR is aiming at, introduces unknown quantities.

Anyone who has travelled on a shinkansen train will recall the sudden intensification of air pressure and violent rattling of the carriage that occur when another train is passed at high speed inside one of the system's many tunnels. The effect is quite unpleasant, even though these trains may be travelling at speeds up to only 220 kph. At 500 kph, the effects may be dangerous.

In relatively flat terrain, the need for tunnels on a Maglev line can probably be avoided, partly because the vehicles can climb steeper inclines than ordinary trains. But in mountainous Japan, tunnels are unavoidable.

That is one of the main reasons why the Japanese Government committed itself earlier this year to a huge Y350bn (£150bn) programme of Maglev experiments. Under the programme, an experimental track of between 40 km and 50km will be built, featuring a tunnel, a 4 per cent gradient and switching. Vehicles of commercial size will be used.

"We want to know what forces are built up when a train enters and leaves a tunnel at 500 kph," says Shohiko Miyata, deputy director of the Maglev development division at JR's Railway Technical Research Institute. Experiments will also be made to find out the amount of energy consumed in climbing a steep gradient and how well the vehicle can stop in an emergency going downhill.

The programme will also seek to prove the reliability of a unique feature of the JR Maglev system, the use of a superconductive coil to increase the magnetic force repelling the train from the ground. Titanium coils in each carriage are cooled to cryogenic temperatures in order to achieve their superconductive qualities using a helium-based refrigeration system.

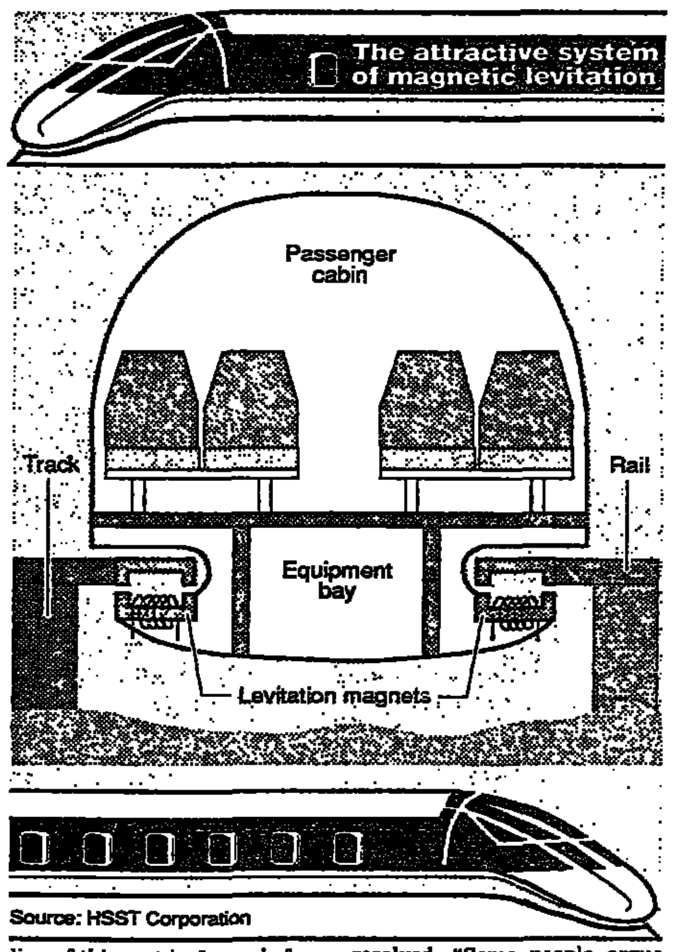
"We have to know what will fail and how often it will fail. We want the same level of reliability as in the shinkansen (one failed bogey per year)," Miyata says.

It will take three years to build the test track and another five years or more to complete the test programme, so there is little likelihood of seeing a commercial Maglev line of this sort in Japan before the year 2000, if ever.

No one denies that the JR technology is extremely expensive. Estimates on the cost of a Tokyo-Osaka line run from Y3,000bn to Y10,000bn. And JR officials recognise that the issue of need is still far from resolved. "Some people argue that the shinkansen is enough," says Miyata.

Ian Rodger

Previous articles on high-speed trains appeared on August 22.



Source: HSST Corporation

Local shops in network for paying bills in cash

Corner shops could become payment centres for the poll tax, council house rents and other household bills if an electronic payments scheme being tested in Tamworth, south-east London, and West Lothian, in the east of Scotland, proves satisfactory.

Some 50 other local authorities have already expressed interest in the scheme, promoted by Western Union Payments Network (WUPN), a UK-based subsidiary of the US telecommunications company.

WUPN was set up to market payments services in the UK, where the difficulties of collecting the poll tax are already causing local authorities serious anxiety. Its US parent collects 46m payments a year through a network of 3,300 local stores.

The WUPN scheme is aimed at the 35 per cent of the UK population who do not have a bank account and so pay bills such as council house rent in cash at town halls.

WUPN provides, free of charge, an electronic terminal to the local traders who have been designated "payment agents". They collect cash payments during normal business hours, using the terminal to record the amount and the customer's details. The agents are paid a commission on the money they collect and benefit from an increase in customer traffic.

At the end of the day, the agents bank the cash collected, while WUPN automatically collects customer data from each terminal over the telephone network. Reconciliation between the various accounts is then handled electronically.

Bill Coleman, WUPN director, says that local authorities will be charged between two and three per cent of the total cash collected – which is cheaper than collecting it themselves. Once the trials in London and West Lothian have proved the system, he aims to have 15 authorities participating this year and 50 more next year.

He says that telephone, gas and electricity bills can also be paid using the system.

Alan Cane

Airport contract lifts commercial hopes

As the world's population continues to swell and towns and cities expand to accommodate the inflows, it has been estimated that spending on new rapid transit systems could total $10bn over the next 10 years.

Not surprisingly, companies in the transportation field are keen not only to win orders, but to convince transport authorities of the merits of the differing systems on offer.

One of the newest is magnetic levitation, a technology into which West German companies and scientists have put much time and effort. But it takes more than prototypes and subsidised projects to convince sceptics, especially budget-minded transport executives, that Maglev should be taken seriously.

Thus AEG, the electrical and electronics subsidiary of Daimler-Benz, reckons it has made a breakthrough with its contract from Frankfurt Airport to supply a people-mover for its new East Terminal. The value of the deal is DM 160m (£50m).

Frankfurt, the biggest airport in Continental Europe, handles about 70,000 passengers a day. It decided on AEG's M-Bahn system because of its lightness and the lack of noise, vibration and emission fumes – as well as the number of people it could handle in a short time. The unmanned trains will run every 90 seconds at peak times and carry up to 4,000 passengers an hour. The project is due to be completed in 1994.

"Frankfurt Airport will be like a shop window for us," says Ulf Wossagk, general manager of AEG's Magnetbahn division. Competing with different systems for the contract were Siemens, of Germany, Matra, of France, and Westinghouse, of the US. AEG and the US concern are now partners in AEG Westinghouse Transportation Systems International; for the Frankfurt contract, the two competed with their own systems.

It was Westinghouse which pioneered rubber-tyred people-movers some 20 years ago, equipping airports in Miami, Orlando, Tampa and Seattle, in the US, and Gatwick in the UK. Now that AEG has been successful in Frankfurt, it hopes for more business for the M-Bahn, which has taken 15 years to develop.

The M-Bahn is designed for suburban and regional transport networks, with a maximum speed requirement of about 80 kph. Below the carriages are permanent magnets which fit under the track. The force of attraction pulls the carriages above the guideway. Linear motors in the guideway generate a travelling magnetic field, which interacts with the magnets under the vehicles to pull them along. Small guide wheels keep them on the tracks.

Because there is no electrical equipment in the carriages, they are much lighter and smaller than the conventional ones, consume less than 70 per cent of the energy and are easy to maintain. The lightness was important for Frankfurt Airport, which wants the M-Bahn to pass through the middle of buildings. For urban systems, it means that tunnels need not be so large. Also, says Wossagk, disruption during construction is far less than for present-day systems, since track sections can be built off-site.

How safe is the M-Bahn? Wossagk says there is no danger of deflection, as the magnets keep the carriages just above the track even if the motors fail. Nor is ice a problem, since there is no friction between the train and the track.

Berlin has already had a foretaste of the M-Bahn, which runs between three stations there. This began as a test project financed by the Federal Research Ministry and the Berlin Senate and has cost some DM 140m. In the US, AEG Westinghouse is building a line to link Las Vegas with its baseball stadium.

Still in its infancy, the M-bahn did not have an easy birth. In Berlin, terrorists firebombed the carriages, delaying the project. There was also what Wossagk calls "an involuntary crash test" at the pre-demonstration stage. The train hit the buffers at speed during a mistake in manual operation – nevertheless the carriage stayed on the track.

After the Frankfurt contract, AEG has its sights set on potential business around the world. Wossagk says that the M-Bahn uses "available technology in an intelligent new combination" and some equipment could be built locally.

Apart from airports, Wossagk reckons the M-Bahn is also suitable for links with satellite towns, sports stadia, industrial fairs, or wherever sudden and large flows of people have to be dealt with.

In Japan, AEG has teamed up with Kobe Steel to bid for a contract at Kansai Airport in Osaka. Taking Germany's version of Maglev to Japan would certainly raise eyebrows on the world transport scene.

Andrew Fisher

Arts Week

F	Sa	Su	M	Tu	W	Th
22	23	24	25	26	27	28

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life

Les Miserables (Auditorium).

MUSIC

Paris

Paul Kuentz Orchestra and Choir, with Jean-Marie Gamard (cello). Dvorak. Saint-Severin Church (Mon). (49543000).

Moscow State Orchestra conducted by Gennady Rozdestvensky, with Igor Oistrakh (violin). Rimsky-Korsakov, Tchaikovsky, Shostakovich. Chatelet (Tue) (40282828).

English Chamber Orchestra conducted by Sir Colin Davis, with Elisabeth Leonskaja (piano). Mozart. Chatelet (Thur) (40282828)

Brussels

London Baroque Players conducted by Charles Medlam perform Castello, Monteverdi and Purcell. Musée d'Art Ancien (Fri).

Belgian National Orchestra conducted by Ronald Zollman with Vadim Repine (violin) play Schumann, Shostakovich and Sibelius. Palais des Beaux-Arts (Fri, Sun).

Monnaie Symphony Orchestra and chorus conducted by Sylvain Cambreling with solists from the opera company perform Mozart. Théâtre Royal de la Monnaie (Sat).

Cleveland Quartet plays Beethoven and Berg. Cercle Royal Gaulois (Mon).

Antwerp

Royal Flanders Opera symphony orchestra conducted by Rudolph Werthen with Mariana Cioromila (mezzo-soprano), Lella Cuberli (soprano), Reinhard Hagen (baritone) and Donald Kaasch (tenor) perform Rossini and Schubert (Fri). Koninklijke Vlaamse opera. **Rotterdam Philharmonic Orchestra** conducted by James Conlan, with Kyung-Whe Chung (violin) performs Mahler and Mozart (Sun). Koningin Elisabethzaal.

Vienna

Wiener Mozart Orchester conducted by Johannes Wildner. Mozart. Konzerthaus (Fri).

Hallé Orchestra. Britten's War Requiem. Musikverein (Sat, Sun).

Moscow Philharmonik conducted by Dimitri Kitaenko. Puccini, Scriabin, Prokofiev. Musikverein (Tues, Wed).

Wiener String Quartet. Haydn, Hindemith, Debussy. Musikverein. (Thur).

Frankfurter Feste 1989

This year's Frankfurt Festival with the title of A Common Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War 50 years ago.

The programme attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Alte Oper: tickets Frankfurt 069/1340-400. Ends Oct 3.

Bonn

Beethovenfest will be the highlight of Bonn's 2,000th anniversary celebrations, with around 30 concerts. Bonn, Beethoven's birthplace, focuses on a wide range of his works, played by international orchestras, while Beethoven's works will be juxtaposed with those of a contemporary composer, who this year will be Leonard Bernstein. To Oct 2. Tickets: Konzertkasse Tel: 0228/775756.

Berlin

Berlin Festival until Oct 2 will be a forum of 'East meets West'. A Maurizio Pollini piano recital with works by Brahms, Schoenberg and Beethoven (Sat). Chamber Orchestra of Europe and soloist Gidon Kremer, Yuri Baschmet, conducted by nikolaus harnoncourt in Mozart and Schubert (Sun).

Milan

Teatro Alla Scala. Gary Bertini conducts Mahler's 6th symphony (Mon, Tues, Wed). Conservatorio G. Verdi (809.126).

Venice

Sale Apollinee. Piano recital by Alexei Sultanov, winner of this year's Van Cliburn prize, playing Haydn, Chopin, Scriabin, Listz and Prokofiev (Fri).

Florence

Teatro Verdi. Myung-Whun Chung conducting Dvorak and Shostakovich (Fri, Sat, Sun) (212020/296242).

New York

New York Philharmonic, Zubin Mehta conducting with Murray Perahia (piano). Beethoven, Mahler (Tue); Mozart, Wagner, Beethoven (Thur). Avery Fisher Hall

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich with Paul Tortelier (cello). Saint-Saens, Elgar, Schubert (Thur). Kennedy Center Concert Hall (467 4600).

Tokyo

NHK Symphony Orchestra conducted by Hiroyki Iwaki. Beethoven's 9th symphony. Bunkamura (Mon) (461 0300).

Lithuanian Chamber Orchestra conducted by Saulyus Sondetskis. Tchaikovsky, Bach, Vivaldi. Suntory Hall (Tues) (505 1010).

EXHIBITIONS

London

The Hayward Gallery. Andy Warhol – two years after his death, a comprehensive retrospective of the career of this seminal yet ambiguous and still controversial artist, since he turned to painting from graphic design in the early 1960s. Sponsored by BP. Daily until November 5.

The Serpentine Gallery. "Success is a career in New York" – this study of Andy Warhol's early career as a graphic designer and illustrator in New York in the 1950s is complementary to the retrospective at the Hayward and essential preparatory viewing. Sponsored by West Industries. Daily until October 1.

The Royal Academy. Gauguin and the School of Pont Aven – a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont Aven in Brittany, of which Gauguin was the leading but not necessarily, at the time, the outstanding figure. A handful of related paintings is shown, and there are outstanding groups of prints by Emile Bernard, Armand Seguin and the Irishman, Roderic O'Conor, among several others. Sponsored by Banque Indosuez and W.I.Carr. Daily until November 19.

Manchester

The Whitworth Gallery. The Last 100 Years – a celebration of the centenary of Manchester University's great gallery through four small displays taken from its study collections: Turner to Piper – a selection of British drawings and watercolours 1900-1939; A Century of British Printmaking; The Magic Influence of Mr Kydd – blocked and stencilled wallpapers 1900-1985; and Modern Art & Textile Design 1930-80: throughout the summer.

Paris

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef d'oeuvres, including the most recent finds, startswith statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris withsome elements of Roman art and Coptic icons and concludeswith Islamic exhibits. 1, rue des Fossés-Saint-Bernard (closedMon). Ends Jan 14 (40513838).

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expended into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1996. It will involve the moving around of 800 of the exhibits, but the three stars – the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

Musée Rodin. A delightful 18th century townhouse – Hotel Biron – ontains the life work of Auguste Rodin, whosepowerful genius opened the way for modern sculpture. In thegardens his Thinker broods, the Burghers of Calaistrudge to their tragic destiny and Balzac, draped inhis cloak, defies time. 77, rue de Varenne, closed Tue.

Musée d'Orsay. The spectacular museum of the 19th century isituated opposite the Tuileries gardens within the metallicstructure and the glass-roofed vault of the vast Belle Epoquerailway station. It houses paintings, sculptures, objets d'art and photographs from the end of theromantic period to the beginnings of modern art and theimpressionist and post-impressionist collections formerlyin the Jeu de Paume. Here they are counterbalancedby academic painters, their contemporaries, long deridedfor their pomposity. Entrance to the museum is at 1, rue de Bellechasse (45494814). Closed Mon.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (026-223978).

Brussels

Europalia Japan 89. Having celebrated the art and culture of Austria two years ago the Europalia turns to the east this year, bringing to Belgium the most spectacular festival of Japanese arts outside Japan. It opens this week with music and dance by the Imperial Gagaku orchestra and an exhibition of Japanese sculpture and painting at the Palais des Beaux-Arts. Art, music and theatrical events will be on show across Brussels over the next three months until the festival ends on December 17.

Palais des Beaux-Arts. The Human Figure: millennia of Japanese art – an overview of Japanese art from 3000 BC to the 19th century which opens Wednesday and ends November 26.

Banque Bruxelles Lambert. Japanese Buddhist Art from the Hyogo prefecture exhibits works from the 7th to 19th century. Opens Thursday, ends October 30.

Trwern-Alsimber Fine Arts. Le Cercle des XX, late 19th century Belgian Painters. Closed Mon, Sun. Ends Oct 31.

Bonn

Beethovenhalle Bonn. 50 portraits of Beethoven by the American pop artist Andy Warhol. In addition to the Bonn Beethovenfest, an Andy Warhol exhibition is taking place until October 1.The Bonn gallery owner Hermann Wuensche commissioned these Beethoven portraits from Andy Warhol for Bonn's 2,000th anniversary. After a year of intensive study of Beethoven, he completed a series of coloured graphic works before he died last year. They are based on the 1821 original, by K.J. Stieler, showing the composer aged 48.

Berlin

Bruecke Museum, Bussardsteig 9. A Franz Marc retrospective with 180 drawings and aquarelles (1880-1916) most of the German expressionist painter's works, can be seen for the first time until Oct 29. His famous hand-coloured print of two horses, one blue coloured the other red-black, with a red, blue, yellow and green ground, was published in a luxury edition of the almanac Der blaue Reiter.

Vienna

Secession. The highlight of the next few weeks will be the 100th anniversary of the birth of Ludwig Wittgenstein, the philosopher, architect and craftsman who until recently had not been appreciated by his fellow countrymen. The indomitable staff at the Secession, the wonderfully renovated gallery where Vienna's radical and anti-establishment artists set up their workshop at the turn of the century, finally raised the funds to organise this long overdue exhibition. Ends October 29 and not to be missed.

The Technisches Museum. Although not the most elegant of Viennese museums, has put together an exhibition exploring the relationship between art and industry and how industry has tapped the imagination of the artist. It is particularly interesting having Austria's post-war generation represented under one roof. Ends October 26 1989.

The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.

Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with rain continually staring them in the face through forced closure by unpredictable papal censors. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carnival masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavilion d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Marinsky theatre. A number or remarkable portraits stand out, from Vladimir Tatlin's empty-faced Sailor to Altman's faintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as The Datcha Window, as does Kandinsky, with three fine works, including the large Composition VI from the Hermitage. Ends October 20.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Florence

Forte di Belvedere. African Art: The Roots of Modern Art. One hunded and fifty sculptures, mainly in wood, produced by 68 different tribes spread through central, western and southern Africa. The works, lent by 12 major museums and 21 private collections, date for the most part from the last two centuries, but with an introductory section containing works from the third century BC. Not difficult to understand the profound influence these precocious abstract works hadon such artists as Picasso and Brancusi and Braque. Ends Oct. 29.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Centre for International Contemporary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world opens appropriately with a retrospective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

Tokyo

Teien Museum. 400 Years of Edo/Tokyo. When the shoguns moved the seat of power to Edo in 1590 it rapidly became one of the world's largest cities. Works in this small but exquisite exhibition celebrating the city's arts and crafts range from scroll paintings and prints to porcelain, swords and a stunning kimono embroidered with wisteria. Closed 2nd and 4th Wednesday each month.

Suntory Museum. Japanese Textiles. A selection of fine works from a prominent American collection – ranging from elaborate kimonos and theatrical costumes to simple firemen's coats and other specialised garments. Closed Mondays.

Idemitsu Museum. Zen Paintings by Sengai (1750-1837). Ink paintings and calligraphy by a monk whose witty works reflect the essence of Zen Buddhism. Closed Mondays.

ARTS

Pottery and politics

Susan Moore on Iznik in Istanbul

This is Iznik Year. 1989 sees the publication of the first comprehensive survey of Iznik ceramics, the first major exhibition, at the Museum of Turkish and Islamic Art at the Ibrahimpasa Palace in Istanbul (until December 15), and an international symposium at Istanbul University. This ambitious venture, organised by the university, is funded in part by the Ministry of Culture but largely by the Türk Ekonomi Bankasi – the first instance in Turkey of commercial sponsorship for an art exhibition.

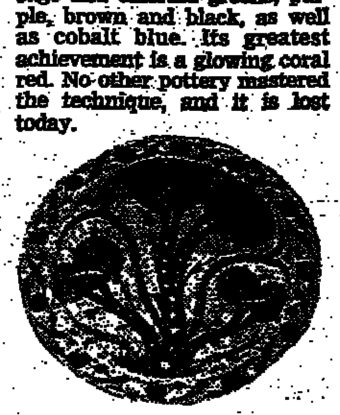
The reason for the Turks' sudden enthusiasm for this somewhat neglected aspect of its heritage is the conviction that culture is the key to Europe. Turkey applied for full EEC membership in 1987, and, as one official said, "We want to show Turkish culture to the world, especially to Europe. We all realise that Turkey means little else than *gastarbeiter* to most Europeans."

Iznik Year has already stimulated the inhabitants of Iznik in north-west Anatolia – the ancient Nicaea – into preserving and enhancing their city, and the world's enthusiasts of Iznik pottery have begun their descent on the Ibrahimpasa Palace.

The bank's involvement began with an intention to support the archaeological excavations of the kiln sites at Iznik. Two and a half years later, its commitment had snowballed into sponsoring a lavish and scholarly Anglo-Turkish tome with 391 illustrations: *Iznik: The Pottery of Ottoman Turkey*, by Nurhan Atasoy and Julian Raby (Alexandria Press, London, available through Thames & Hudson in London and New York) costing £120 or $200 even after subsidies, and a major international loan exhibition, in effect, the show of the book.

Some 206 pieces, the cream of Iznik, have been gathered from 40 museum and private collections as far afield as Kuwait and Copenhagen (the largest contributions come from the British Museum, the V&A, and the Gulbenkian Foundation in Lisbon). The result is spectacular, and is unlikely to be matched in our lifetime.

In terms of technical and aesthetic achievement, Iznik's unprecedented in the Islamic world. It is also one of the greatest traditions of underglaze-painted pottery. Its glories are its taut draughtsmanship, exuberant floral decoration, and brilliant polychromy. The low firing temperatures for the silica body, far lower than those for Chinese porcelain, allowed the broadest range of underglaze colours ever produced – turquoise, sage and emerald greens, purple, brown and black, as well as cobalt blue. Its greatest achievement is a glowing coral red. No other pottery mastered the technique, and it is lost today.



Iznik dish with artichoke trees, c. 1545

The colour comes from Armenian bole, a traditional term but one that has been censored to "bole" in the Turkish edition of the catalogue – although it is still known as "Armenian" bole in the bazaar today. It is a pity that such a magnificent cultural effort should lose credibility in this way.

The reappraisal of Iznik ware began in Europe in the mid 1850s. Up until the First World War it remained one of the most highly prized collectables, taking its place beside Chinese porcelain, maiolica and Renaissance bronzes. The origins of this widely exported craft, however, were not finally established as Ottoman Turkey until after the last war. The wares were given in turn to Persia, Rhodes, Damascus, Kütahya, and the region of the Golden Horn in Istanbul, but by 1907 it was sensed that the distinctions in the pottery were chronological rather than geographic.

What the excavations, the book and its exhibition have achieved is considerable refinement of the dating of these extraordinarily variegated wares, and of the distinctions between the different groups produced in the 170-year span of 1480-1650. There is still much work to be done, but the progress to date cannot fail to affect the market.

Perhaps more revealing is the intimacy of the relationship between the development of Iznik pottery and Ottoman court patronage. The brilliant white slip and near-flawless glazes of the wares made after the arrival of Sultan Mehmed the Conqueror in 1480 are shown not to have evolved out of the 15th century earthenware tradition. They are completely different in ambition, scale, shape, technique, and in economy. Changes are not so much related to the arrival of Persian potters as a change in financing.

Funds must have been available to invest in the substantial experimentation in larger sizes, new shapes and new materials. The first new wares relate to highly esteemed Chinese Ming blue and white porcelain, and to Ottoman metalwork and the new style of court calligraphy – the result, a delightful amalgam, Chinoiserie Ottomanised.

Court patronage and court style continued to determine Iznik manufacture. Tiles (not included in book or exhibition) came to dominate production 1555-80 to meet the demands of an ambitious public building programme; they were also to change the Iznik aesthetic. As the subtle purple and sage green used to such magnificent and original effect in the pomegranate, artichoke and tree dishes of the 1540s and '50s were not sufficiently distinct at a distance and therefore unsuitable for tiles, a more strident palette of red, emerald and cobalt blue came to be adopted. When building stopped at the end of the century, the stifled pottery industry began to decline. It proved incapable of surviving the constraints of the court system – and its preference for Chinese porcelain – despite efforts to develop an export market.

What the Ottoman court had created, it also destroyed. By the 19th century, Iznik as an important centre for pottery manufacture was forgotten.

Miss Saigon

THEATRE ROYAL, DRURY LANE

The first home-grown British musical at Drury Lane for many years is, of course, about the American dream. The French authors of the musical of *Les Misérables*, the composer Claude-Michel Schönberg and the librettist Alain Boublil, have reconstructed the *Madame Butterfly* story around the 1975 evacuation of Saigon.

The initial inspiration was a photograph in "Paris Match" of a mother being separated from her child in an airlift. So the new Pinkerton becomes an American GI, Chris (Simon Bowman), who falls in love with his geisha Cio-Cio San, Kim, after a night on the razzle. Unknown to Chris, Kim has a child and smuggles him to Bangkok thanks to the intervention of the pimp and hustler, the Engineer.

There is a relationship to *Les Mis*, which is the reunion from a long distance between father and his offspring, and some of the most effective music belongs to the tracking revenge figure, the outraged betrothed cousin of Kim (and of Hugo's police inspector) whom the Communist reunification has thrust upon her.

Otherwise the music has a wonderful ungoverned romantic spirit – you never know how any number is going to end – backed up by Oriental string arrangements and brassy walls of flat-out orchestration.

This is undoubtedly the most romantic throwback musical so far: *The Phantom of the Opera* re-cast Puccini in a modern idiom, but producer Cameron Mackintosh has here out-manoeuvred the old-fashioned Broadway aspirations even of Andrew Lloyd Webber. Just as *The Flower Drum Song, The King And I, South Pacific* and *Pacific Overtures* were all about ethnic conflict in an historical colonial situation, so *Miss Saigon* dramatises a nation's delicious guilt so readily celebrated on the musical stage.

In recreating the era, Nicholas Hytner's meticulous and finally overpowering production stops at nothing: flared trousers, busy street scenes of occupied lamp-shades peddling like fury on bicycles, sweaty GIs fondling the talent, a strikingly dignified "wedding" after a beautiful duet. The re-named capital of Ho Chi Minh City is marked by the hoisting of a huge statue of the Chinese potentate. The evacuation itself, atop the American Embassy, is a thrilling flashback in Kim's nightmare, with photographic tableaux of would-be refugees crushed against the chicken wire compound as a full-size chopper blasts down and then out.

In its re-enactment of historical events, the show recalls *Evita*, and especially so in the figure of the Engineer, coruscatingly well played by Jonathan Pryce. Pryce has several big moments as he hitches his escape to the dollar democracy like some oleaginous, limber-limbed hood-eyed emcee from *Cabaret*. The future is in musicals, and his show-stopper is a vision of the good life that starts with a simple honky-tonk backing and builds to a nightmarish premonition of *A Chorus Line* complete with high-kicking chorus and an illuminated Cadillac over which he writhes with orgasmic delight.

The number is reduced, though, to a follow spot and a single piece of folding money. John Napier's design, a little disappointing and cluttered, with old-fashioned trucks and lots of neon signs, is best when it clears the stage for Pryce, or reveals a great dark chasm beyond the slatted blinds and bamboo walls. Then Bob Avian's musical staging comes into its own, with goose-stepping Chinese military, or Vietnamese street girls. One terrible error is to support an Atlanta conference plea for the refugee children (throatily articulated by Peter Polycarpou) with filmed footage of lost children.

The new life in Bangkok is conveyed in a rather sleek, lifeless art deco apartment, but the mainstay here is a stunning duet for Chris's wife, beautifully sung by Claire Moore, and the doomed mother of Chris's child. Throughout the evening, Lea Salonga as Kim sings her socks off, and the dedication to her son is one of the most moving things I have ever seen on the London stage. She is an amazing talent, and she carries the show for three hours only for Jonathan Pryce to sidle on and walk off with it.

Alastair Muir

Jonathan Pryce

Michael Coveney

Bernstein's 'Arias and Barcarolles'

NEW YORK

Leonard Bernstein's latest composition, completed last year, first sung in Israel, and now given its first New York performance, is a song cycle for soprano, baritone and piano duet, called *Arias and Barcarolles*. The songs are in fact neither arias nor barcarolles. President Eisenhower unwittingly provided the title in 1960 when, after Bernstein and the New York Philharmonic had played a Mozart concerto and Gershwin's *Rhapsody in Blue* at the White House, the President expressed his preference for the *Rhapsody*: "It's got a theme. I like music with a *theme*, not all them arias and barcarolles."

The cycle consists of a duet, four songs for soprano and baritone in alternation, and another duet, with piano prelude and postlude to which the singers add a descant.

Through numbers in many different manners – Sondheimy, twelve-notey, Mahlerian – it has a theme: aspects of family relationships and varied, ingenious musical metaphors therefor. The first duet is a vocal commentary on a 10/8 theme that goes purling on with apparently a life of its own (what does it mean? what can it lead to?); the second is an unreticent evocation of bedtime conversation between Dean Charles Webb, of the Indiana University School of Music, and his wife Kenda: prayer, prattle and amorous recollection. One song (composed 34 years ago, revised for the cycle) celebrates the birth of Bernstein's son Alexander; another is a bedtime story that his mother used to tell him (about a "little wubbit" that got lost but was found again), recounted with exaggerated Rakhmaninov-like piano reactions to the events of the tale.

The texts are Bernstein's own, except for a Yiddish poem by Yankev Yitskhok Segal, "My wedding" – at which there played a far from Orthodox young fiddler, who had picked up some Gentile ways, but nevertheless captivated all his hearers. The postlude is a sentimental, chromatic *valse lente*, with hummed vocal descant, which has become a memorial piece at services in this stricken city.

The cycle is a good piece but hardly a finished one. On the one hand, one feels that if Bernstein were not so busy a conductor and would focus more intently on his compositions, really work them out and get them into shape, they could be far better. On the other hand, he is so skilful, sure inventive, emotionally generous, and musical a composer that one feels grateful for what he does manage to get down. And it may be that the very casualness that marks some of *Arias and Barcarolles* is an essential part of the idea.

The singers were Judy Kaye and William Sharp. She (who put in a stint in the Broadway production of *Phantom* and won a Tony Award for it) is one of the few American singers who know how to put a song across. He seemed promising when he won the Carnegie American Music Competition two years ago but has become dull – all voice and no lively forward words. The pianists were Michael Barrett and Steven Blier, founders of what is rather grandly called the New York Festival of Song: a series of recitals that aims to do for New York what Graham Johnson and the Song Makers Almanac have done for London.

Andrew Porter

Schnittke

PHILHARMONIC HALL, LIVERPOOL

Libor Pešek and the Royal Liverpool Philharmonic Orchestra enter their third season together in good heart. At Wednesday's concert, opening of the orchestra's season, this was evident not just in the standard of playing – there begins to be a distinct "personality" to the music-making of the orchestra under its Music Director, one easier to sense and admire than to analyse or describe – but in the choice of programme.

It was a confident mixture of the familiar and the novel such as could only be risked by an ensemble that has won its regular audience's trust: Beethoven (a thrusting, full-toned *Egmont*) and Chaikovsky (a First Piano Concerto with Cécile Ousset in metallic, then in the second movement rather more poetically sparkling form), followed by the first British performance of Alfred Schnittke's latest (1988) large-scale orchestral composition. An impressive, well-balanced concert, delivered with real authority: would its London equivalent win such a large attendance?

The Schnittke bears a cumbersome title – Concerto grosso no.4/Symphony no.5 (both appellations are deemed necessary, since the work brings together two previously separate formal preoccupations). A record of the work reached this country recently (and was reviewed on this page by David Murray); the chance to hear it as it were in the flesh proved too good to miss. It is an extraordinary 45-minute stretch of influences, styles, and moods filtered through the Schnittke musical mind, almost all of them stated or relayed in "extreme" terms and flung out with the special baleful frenzy that can so memorably assail this composer's muse.

In this it is at the opposite expressive pole from Schnittke's previous symphony, the Fourth (given at Aldeburgh last year), which reconciles its variously gleaned musical material with triumphant patience and persistence; the very difference between the two, and the fact that both could be by absolutely no-one else, indicate the peculiar individuality of Schnittke's expressive range.

The particular symphonic tendency traced and unfolded here is a straining toward the recapture of an inherited form now out of reach (in the opening movement the announcement of an harmonically fractured Baroque concerto for violin and oboe, in the turbulent second a sudden tenderly spectral reference to Mahler's incomplete early Piano Quartet) – and then, in the giant finale (a discontinuous post-Mahlerian funeral Adagio), an admission of black, despairing defeat. On a first hearing I wondered whether the sheer weight and force of this climax had been sufficiently prepared for by what preceded it – but, with past Schnittke in mind, one may fairly assume the disproportion to be part and parcel of the artistic message.

Even with that only partially grasped, it seems to me a work of towering urgency and vividness: the writing for the orchestral bass voices is startlingly original, and after much furious clashing of brass (which sent one or two tender souls scurrying for the exit), the tolling-bell underpinning of the finale imposes an inexorably severe dignity that is deeply affecting. No doubt one of the London orchestras will take this work up soon; meanwhile, the failure of Radio 3 to pick up this important concert for live broadcast is surely inexcusable.

Max Loppert

Plaza Suite

THEATRE ROYAL, BRISTOL

Neil Simon turns three after-dinner stories into short plays by adding clever, funny dialogue such as he might have devised when he was writing radio gags. They are not great plays, and only one of them has anything like a real punch-line, but they are good material for actors, and the Bristol players take full advantage.

They are set in suite number 719 at the Plaza Hotel, New York. In the first, Karen Nash is celebrating her 24th wedding anniversary in the suite where she spent her wedding night. Sam, her husband, is deep in company business, not at all celebratory in mood, and Karen detects that he is having an affair with Jean McCormack, his secretary. The choice between parting and reconciliation is left open.

Next we meet Jesse Kiplinger, successful Hollywood producer. He has telephoned his old college girl-friend Muriel, now married with three children, asking her to meet him in the suite. She is obsessed with Hollywood legend, and though she insists she has other engagements, he cunningly uses this magic to lure her into bed.

Deeper feelings haunt the third play. Norma and Roy Hubley have hired the suite for the wedding of their daughter Mimsey to Borden Eisler, but Mimsey has locked herself in the bathroom. Both parents use every kind of argument through the door; Norma tears her stocking and breaks her diamond ring, Roy hurts his arm in a barge and rips his tailcoat trying to climb in from outside. When Mimsey gives her father a brief audience, it seems that she is afraid – afraid that she and Borden will grow like Norma and Roy.

As a last resource, Roy sends for Borden to try and help. Borden knows his stuff. "Mimsey," he calls through the door, "cool it!" – and out she comes in her wedding finery, ready for anything. My guess is that they will turn out like the Nashes. The main pleasure of this production, expertly directed by Chris Harris, is the multi-coloured playing of Marcia Warren. Karen is a friendly, vague woman of 49, or it may be 48, fond of her busily unaffectionate husband Sam. Muriel, on the other hand, is a mature married woman who dresses, acts and almost looks as she must have looked at college with Jesse. As for Norma, in a sleek mauve creation with a 22-inch waist, she is a complete New York Jewish mother. The three are all convincing in their several ways, all ingeniously dressed by designer Louise Belson.

Davyd Harries is sharpest as Jesse, an ageing Hollywood figure determined to retain a glamorous, sexy youth. Sam Nash and Roy Hubley are both one-dimensional people, though Sam keeps his figures in his books and Roy trumpets his expenditure to the world. Jane Annesley does what needs to be done as McCormack and Mimsey, but neither part offers the chance of excitement.

B.A. Young

Heartbreak House

DERBY PLAYHOUSE

Not for the first time, what may I suspect be the week's most exhilarating opening takes place considerably north of Watford. This co-production between Shared Experience and Derby Playhouse finally shakes off that irrelevant and inaccurate Chekhovian label that Shaw, and others, slapped on to his non-naturalistic Great War country house gathering with the Thomas Love Peacock title. In Nancy Meckler's endlessly fascinating expressionistic production they emerge clearly as Firbankian grotesques frozen in characteristic attitudes; Jonsonian humours perhaps.

Dermot Hayes sets the action on an elliptical space backed by uprights with a hint of the mast, between which are slung sails, then furled to reveal blackness beyond; this is Captain Shotover's domain, after all, and the timbers are heard creaking dangerously by the play's end. Piles of ledgers, green with mould, are the only furniture – if one discounts the prone form of Boss Mangan casually perched on by Hesione during his hypnotic trance.

The characters themselves display a touch of visual caricature: the dashing Hector Hushabye's archetypal masher's tash, Hesione's exotic Turkish trousers and luxuriant plait of hair, the blotched dapperness of Mazzini Dunn, the centre-parted wings of whose coiffure recall the young Chaplin – aptly, since David Fielder plays ineffectual virtue with the precision and delicacy of a clown. The nurse's filthy apron is topped by a dirty face.

The production's liberated style takes in sudden dimming, spotlights, slow motion, freezing. There is an almost choreographed confrontation between capitalist Boss Mangan and young Ellie Dunn over the bargain of their marriage: they crouch and bob like courting birds until Ellie literally runs rings round him, swerving, darting, pirouetting as she baits the bull, sticks the pig, gets in another blow. This sets the seal on the excellence of Annabelle Apsion's performance: an immensely promising young actress, tough, intelligent and stylish.

One of the evening's pleasures is the consistently good playing: from Marty Cruickshank's generous, effusive Hesione – if Mrs Pat wasn't like this, you feel, she should have been; from Fred Pearson's first-rate Shotover, avoiding the whimsicality that can make Shavian drollery embarrassing; from Ian Gelder as the hero without a role and John Baxter's petulant *cicisbeo* seeking a nanny rather than a mistress, Randall Utterword.

All of which carries the play. The informative programme quotes one of Shaw's toshier remarks about woman's natural ability to rule – with humanity and sense, he implies. I wonder what he would make of the last decade. He is weakest when he tries to sound like Wilde. Does the observation that there are two classes in England, the equestrian class and the neurotic class, actually mean very much? Did it even then? Jennie Stoller's Lady Utterword (slow on entrance cues at least twice) plays too much on one brittle note of Wildean comedy, whereas if the rest of the production has a fault it is that playful disapproval or mock anger is taken too seriously and played straight. The one overriding element of this class's social life, whether a strength or a debilitatingly evasive weakness, was its irony.

Too much may have been read into the play – not, after all, prophetic, but written during the war itself. It is easy now to point at lines like "a soul is a very expensive thing to keep – much more than a motor-car" or "unless I can make myself as hard as nails I shall go mad;" but Shaw was following in great footsteps, chiefly Ibsen's, without bothering to people his polemics with human beings. It takes more than a store of dynamite and a misanthrope on stage to convince us that Shaw foresaw nuclear war. But if the play is an example of chancer's luck, it can hardly be better done than it is here.

At Derby until October 7, the production visits Cambridge, Singapore, Winchester and Belfast – where its final performance is on Armistice Day. Shaw would have enjoyed the irony.

Martin Hoyle

ARTS GUIDE

September 22-28

OPERA AND BALLET

London

Royal Opera, Covent Garden. The new attempt at a Royal Opera Ring opens with *Die Walküre*, in a production by Götz Friedrich adapted from his Berlin staging. Bernard Haitink conducts, and the cast includes James Morris, Gwyneth Jones, René Kollo, and Gabriele Schnaut. Final performances of *Rigoletto*, with Ingvar Wixell, Leontina Vaduva and Jerry Hadley, conducted by Sian Edwards.

English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revival of *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell.

Paris

Théâtre des Champs Elysées. New York City Ballet, as part of the 27th Paris International Dance Festival, alternates choreographies by George Balanchine, Peter Martins and Jerome Robbins (47203637).

Vienna

Staatsoper. *Rigoletto* is conducted by Leopold Hager with a cast including Patrizia Pace, Waltraud Winsauer, Hans Christian; *Il Barbiere di Siviglia*, conducted by Ion Marin, is sung by Gail Dubinbaum, Marjorie Vance, Thomas Hampson, Anton Wendler; *Chowanschtschina* by Mussorgsky is conducted by Claudio Abbado with Ludmila Schemtschuk, Heinz Zednik and Joanna Borowska; *Der Rosenkavalier*, conducted by Silvio Varviso, features Gundula Janowitz, Margareta Hintermeier.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera conducted by Sylvain Cambreling in Verdi's *Falstaff* staged by Iluis Pasqual with Jose Van Dam in the title role, Laurence Dale as Fenton, Ugo Benelli as Dr Cajus, Livia Budai as Mrs Quickly, Barbara Madra as Mrs Alice Ford (Fri, Sun, Wed).

Berlin

Opera. A Julia Varady/Dietrich Fischer-Dieskau Lieder recitalaccompanied by Hartmut Höll with duets by Bartholdy, Cornelius and Schumann (Fri). *Fidelio*, in Jean Pierre Ponnelle's production features Janis Martin, Carol Malone, Spas Wenkoff, Kurt Rydl and will be conducted by Horst Stein. *Aida* has a first-rate cast led by Julia Varady in the title role, Bruna Baglioni (Amneris), Giorgio Lamberti (Radames), George Fortune (Amonasro) and Julien Robbins (Koenig). *Tosca* returns with Natalia Trottskaya in the title role, Franco Bonisolli, William Dooley and Rolf Kühne. A ballet evening with Roland Petit choreography rounds off the week.

Hamburg

Staatsoper. *Der Troubadour* has fine interpretations byGiorgio Zancanaro, Nina Terentjewa, Sharon Sweet and Lando Bartolini. *Der Liebestrank* has Hellen Kwon, outstanding as Adina with Kurt Streit, Alexandru Agache, Rolando Panerai and Gabriele Rossmanith in other parts. *Romeo et Juliet*, choreographed by John Neumeier is revived with Jean Laban and Stefanie Arndt as soloists.

Bonn

Opera. The new *Aida* production, by Jaques Karpo has Rosalind Plowright repeating her much praised performance in the title role and is expertly conducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Opera. Britten's *Ein Sommernachtstraum* is respectable with singers Jochen Kowalski, Linda Griffitz, David Bennet And Vladimir de Kanel. *La Bohème* stares Gyoergyi Benza and AlbertoCupido. *Un ballo in Maschera* returns with a new cast led by Lubica Rybarska, Bruno Beccaria, Michal Shamir and Vera Baniewicz.

Cologne

Opera. The successful Harry Kupfer *Jenufa* productionfeatures Eva Tamassy, Linda Plech, Leonie Rysanek-Gausmann, Guenter Neumann, Alfred Kuhn and is conducted by Cologne's new music director James Conlon. The rarely played one act operas by Rossini *La Cambiale di Matrimonio*/ *Il Signor Bruschino*, are sung by David Kuebler, John del Carlo, Teresa Ringholz, Janis Hall and Alberto Rinaldi.

Munich

Opera. *Le Nozze di Figaro* features Lucia Popp, Jeanne Piland, Angela Maria Blasi, Alan Titus, Alberto Rinaldi, Kallen Esperian, Julie Kaufmann, Franz Grundheber, Francesco Ellero. Also offered Rossini's rarely played *Mosé*, *Fuert Igor* with Cornelia Wulkopf, Gabriele-Maria Ronge, Bodo Brinkmann and Robert Schunk and *Madama Butterfly* with Eugenia Modoveanu, Gudrun Wewezow and Peter Dvorsky.

Naples

Piazza del Plebiscito. An outdoor "festa" of music and dancesponsored by the Banca di Napoli and major Italian state holdings and broadcast in Eurovision. An immense variety of styles in both music and dance. (info. 402721).

Milan

Teatro Nazionale. The Scala ballet company in *Les Sylphides*, Balanchine's *Apollon Musagete* and Birgit Cullberg's *SignorinaGiulia*, with piano accompaniment by Michele Fedrigotti (4396700).

New York

Metropolitan Opera. James Levine conducts the opening gala of *Aida* in Sonja Frisell's production with Aprile Millo, Placido Domingo and Sherrill Milnes, in a week that also includes *Porgy and Bess* with Priscilla Baskerville and Larry Marshall and Teresa Stratas in Puccini's *Il Trittico* (*Il Tabarro, Suor Angelica* and *Gianni Schicchi*), all conducted by James Levine. Opera House Lincoln Center (362 6000).

New York City Opera. The week includes the first performances of *Die tote Stadt* in a decade with in Frank Corsaro's production conducted by Klaus Weise; *Die Zauberflöte* conducted by Scott Bergeson in Lotfi Mansouri's production; *Rigoletto*; and *Madama Butterfly*. Lincoln Center New York State Theatre (877 4700).

Washington

Pacific Northwest Ballet. Return engagement features the world premiere of Firebird choreographed by co-artistic director Kent Stowell, among works by Balanchine, Paul Taylor and the other co-artistic director Francia Russell. Kennedy Centre Opera House (254 3770).

Chicago

Lyric Opera. The opening production of *Tosca* with Eva Marton, Luciano Pavarotti and Siegmund Nimsgern is conducted by Bruno Bartoletti in Deppe De Tomasi's production. Jiri Kout conducts *Der Rosenkavalier* with Anna Tomowa-Sintow, Kathleen Battle and Julian Patrick (332 2244).

Tokyo

La Traviata performed in Italian by the Nikikai Opera Company, with popular Japanese soprano Shinobu Satoh as Violetta. Tokyo Bunka Kaikan (Wed) (370 6441).

FINANCIAL TIMES

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Friday September 22 1989

The politics of dirty water

WHEN the European Commission issued its first dirty water directives back in 1976, the idea of Brussels bureaucrats pronouncing on the quality of Britain's bathing beaches seemed faintly risible.

This week the issue has been shown to be no joke at all. A British Cabinet minister was required to plead with the Commission to lay aside its decision to take Britain to the European Court for violation of its 1980 drinking water directive. He returned with the humiliating message that the industry's £18.6bn spending plan for the next 10 years was judged insufficient to meet the latest Euro-standards.

Legal boundaries

The dispute raises two important questions about the increasing pervasiveness of EC law. The first is: what are its proper boundaries? The second is: how much should general directives pre-empt resources for which member countries might have higher priorities?

The present argument is about the application of a directive which specifies 66 separate purity standards. While common standards for sewage effluent obviously make sense (because rivers cross frontiers), the need for very detailed international rules for drinking water standards is less obvious.

It is reasonable to argue that all Community citizens have the right to be assured of safe drinking water when they travel. It is also true that many countries, including Britain, have a poor record in bringing water and sewage standards up to acceptable standards – democratic governments are too often tempted into the expedient of cutting long-term public expenditure in such unglamorous sectors. The EC directives may have goaded governments into actions which they knew to be right, but could never get high on their domestic agenda. Belgium and France have already been referred to the European Court, decisions are pending for breaches by West Germany and Luxembourg, while cases are being considered against Italy and Spain.

It is ironic, therefore, that the fuss between Britain and the Commission should have erupted when a large slice of additional national resources is being allocated to cleaning up water and effluent, mainly because of the need to tell potential investors exactly how purity standards will be met in the next decade. The argument for England and Wales is not about whether the standards should be met, but about how quickly, and the difference is too narrow to be worth a fight. It relates to the number of millionths of a gramme of nitrates which should be allowed per litre. The EC says 50, the World Health Organisation says 100 and Britain achieves 80. Britain says it needs five years to meet the EC standard in Staffordshire and East Anglia. The EC says it must be done in three. For Scotland, where the water industry is not being privatised, the EC case is stronger. The British Government has not incorporated the EC directive into Scottish law nor given strong enough assurances about the removal of traces of lead from water in Lothian and Strathclyde.

Relative costs

Having agreed to the standards, Britain and the rest of the Community must implement them. But it would be wrong to lose sight of the cost. In the concentrations now being argued about, lead and nitrates represent a health hazard which is too small to be measured reliably, and may be no threat at all. No doubt our water will be better without these substances, but governments must ask whether the money could be better spent. The £90m which the UK will spend on reducing nitrate concentrations in the next four years would be enough to build two medium-size hospitals.

This kind of comparison is often missed when people become over-excited about a particular environmental cause or when directives are drafted by technicians concentrating on an important, but narrow aspect of health. As standards tighten, the balance of advantage in extending them becomes more questionable. So in considering future directives, ministers must increasingly consider, not just the obvious popular benefits, but the cost of opportunities lost.

Still in charge, but of what?

MEMBERS OF the Soviet Communist Party's politburo must be learning to fear the month of September. This time last year a plenum (plenary meeting of the central committee), summoned at very short notice, relieved the two leading conservatives in the politburo of their functions, transferring Mr Yegor Ligachev from ideology to agriculture and Mr Viktor Chebrikov from the KGB to legal reform. This week's plenum, summoned at very long notice but for another purpose, has brought the downfall of Mr Chebrikov and also of Mr Vladimir Shcherbitsky, the man who had done his best to preserve the Ukraine as an island of *zastoy* (stagnation) in the era of perestroika. Mr Ligachev remains in place, but now looks distinctly isolated within the politburo.

So once again Mr Gorbachev, after allowing a conservative drift in policy, or at least in official statements, during his absence on holiday, has demonstrated on his return that he remains fully in control of the party hierarchy. Although the majority in the present central committee is far from sharing his reforming zeal, it is not able to deny the general secretary the team of politburo colleagues that he wants: the newcomers are all his close allies, with the possible exception of Mr Boris Pugo, who may owe his elevation as much to his nationality (Latvian) as to his personal qualities. No less significant, it has hastened its own demise by bringing forward the date of the next party congress, at which a new central committee will be elected, to October 1990.

One more year

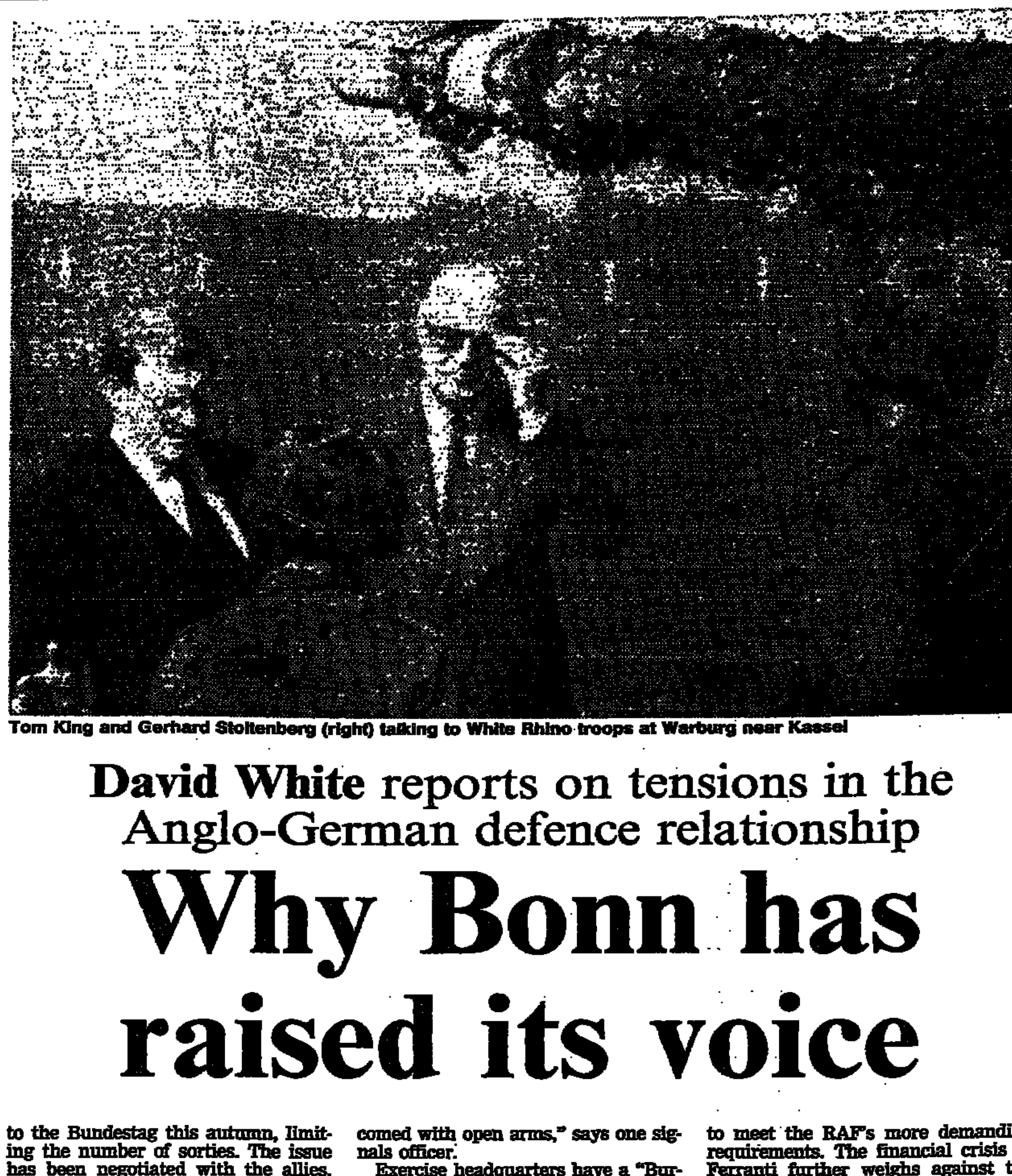
Mr Gorbachev, therefore, has only one more year to soldier on with the present middle-rank party leadership, much of which has been quietly sabotaging his reforms even while paying lip-service to them. But all the signs are that it will be his most difficult year yet. A harsh critic might even say that his control of the party is a matter of rapidly decreasing significance, given that the party itself seems less and less in control of Soviet society.

The two dominant problems remain the same: the collapse of the economy, and the conflicting aspirations of the Soviet Union's component nationalities. Both are still getting rapidly worse. The first has taken on a new form with the miners' strikes in the summer, which at last overcame Mr Gorbachev's unwillingness to allocate foreign currency for imports of consumer goods: two programmes each of 5bn roubles were launched. This may do something to alleviate the repressed inflation which is the country's most acute economic problem. But it is increasingly obvious that only a very radical programme of price-liberalisation, economic decentralisation and enhanced competition, sweetened by expanded imports of consumer goods, has any hope of curing the underlying causes. Such reforms are apparently being put off until 1991-2, but, stuck in its present in-between state, the economy may disintegrate in the meantime.

Flat contradiction

The nationalities issue has certainly not been resolved by the decisions of the plenum. The Lithuanian party leader, Mr Algirdas Brazauskas, quietly but flatly contradicted Mr Gorbachev on the need for his party to be independent of Moscow's control if it is to have any hope of retaining its "leading role" once Lithuanians are given a choice in the matter; and in Transcaucasia there is now a state of virtual war between Armenia and Azerbaijan, with the landlocked Armenians subjected to a total blockade.

Mr Gorbachev has undertaken to preserve without using force two things which only force could have created: the Russian empire (renamed Soviet Union) and the leading role of the Communist Party. In the long run neither may be possible and the second, at least, is not desirable. Yet he has shown great flexibility in redefining his objectives, and one is bound to wish him success at least in the short term if only because no better way of managing the transition is in sight. The alternative is either a return to a much more brutal regime or a rapid disintegration of the union into unbridled anarchy and violence, or quite possibly a combination of the two.



Tom King and Gerhard Stoltenberg (right) talking to White Rhino troops at Warburg near Kassel

David White reports on tensions in the Anglo-German defence relationship

Why Bonn has raised its voice

Last week, 11,500 British soldiers went on Exercise White Rhino in an area to the west of Germany's Harz mountains. This week, the army has been trying to play out the same exercise, one armoured brigade against another, but with 40 per cent fewer men, half the tanks and no artillery guns. The aim is to see if the army can carry out its exercises with less disruption to civilian life.

White Rhino is treading carefully because it is treading on the sensitive ground of Anglo-German defence relations. These are intricate, close and in some ways unique. What other nation has over a third of its army and 95 per cent of its tanks stationed in another country? In the last year, the relationship has become accident-prone.

When Mr Tom King, the British Defence Secretary, met his West German counterpart, Mr Gerhard Stoltenberg, yesterday at the Bielefeld headquarters of Britain's 1st Corps, it was the second time he had been to see him in less than a month. The meeting followed private talks in Bonn on Wednesday between Mr John Major, the British Foreign Secretary, and his West German opposite number, Mr Hans-Dietrich Genscher. Since Mr King took over the defence job in July, he has been to no other Nato country but West Germany, probably Britain's soundest European ally, most Britons would say, or would have said.

What used to be a quiet, normal, stable understanding has been upset by a series of differences. Two of them, which have moved from the military and industrial sphere into the ministerial arena, are close to critical decisions: the RAF's scope for practising low-flying runs in Germany and the choice of a radar for the ambitious European Fighter Aircraft, in which the two countries are the main partners.

However, these are only part of the list of recent problems, which include:

● Nato's short-range nuclear missiles. The British Government, strongly in favour of new missiles and against negotiating them away, thought it had a friend in Mr Rupert Scholz, the last West German Defence Minister, but he proved to lack the necessary political authority. His last ministerial act in April, agreeing to a vague compromise on modernisation, was instantly superseded by a surprise and forthright declaration from Bonn in favour of talks with the Warsaw Pact.

The row came to a head at the Nato summit in late May, when Mrs Margaret Thatcher spoke in dismissive terms of West German sensibilities. "I don't have any problem," she said after another compromise had finally been struck. "If they have, let them sort theirs out."

A decision on modernisation has been put off until 1992, but it is unlikely to be any easier then to sell the idea to German public opinion that Nato really needs an extended-range front-line missile.

● Training. Politicians across a broad spectrum in West Germany have made military annoyances an issue. The Federal Government is frequently under pressure at Land (regional) and local level. The less people in West Germany feel threatened from the East – especially the generation, now mature, that did not experience the Second World War or the early post-war period – the less they are inclined to put up with the strains arising from having six allied armies around as well as their own. West Germany has some 900,000 troops on its territory, three-and-a-half times as many as there are in the UK.

Britain's is the largest allied contingent after that of the US: more than 50 bases, 68,000 army and RAF personnel, plus another 4,000 in West Berlin.

The biggest single irritant is low flying. Mr Stoltenberg is to put a plan to the Bundestag this autumn, limiting the number of sorties. The issue has been negotiated with the allies, but the US has been more accommodating than Britain. Flying under radar is basic to RAF doctrine. The US Air Force has somewhat greater flexibility, since it has more resources for clearing paths through air defences. The Luftwaffe also needs the same kind of practice. But the Germans maintain that shorter stretches at low level would do.

Ground manoeuvres also place strains on the environment and people's nerves. The Soltau-Lüneburg training area in northern Germany,

What used to be a quiet, normal, stable understanding has been upset by a series of differences

for instance, is like nothing that would be considered tolerable in the UK, let alone if the army were somebody else's – an inhabited region where tanks plough perpetually by, next to villages.

The British Army has had to look for new places to train, preparing two years ahead of time, avoiding repeated exercises in one place and taking care not to go over the same piece of land twice. It has branched out into areas such as the Sauerland which previously had only the Belgians to put up with.

"There's nowhere where we're welcomed with open arms," says one signals officer.

Exercise headquarters have a "Burgerphone" for citizens' calls. Soldiers no longer dig latrines; a local company is doing great business renting portable lavatories to the British Army of the Rhine.

In the present exercises, the British Army is putting its plans for "alleviating pressure on the environment" to the test for the first time.

"We have got to exercise over the ground where we would have to fight. A large proportion of the population fully understands this," the army says. But problems are likely to increase with pressure building up for land now reserved for the military to be used to house refugees arriving from East Germany.

● The Eurofighter. West Germany has stuck out against the choice of a Ferranti-designed radar which would be co-produced between the four partners. The airframe and engine for the £22bn European Fighter Aircraft are already British-led. Bonn wants a German-led radar, an improved version of a system developed by Hughes of the US, in which AEG is already involved, for the upgrading of West Germany's Phantom fighters.

The West Germans see the Ferranti project as riskier. Costs will be under close scrutiny by the Bundestag's defence and finance committees. Any increase could jeopardise Bonn's continued participation in the EFA programme.

It did appear that Bonn was about to yield on the radar, in a trade-off for British concessions on low-flying. But Britain is now investigating whether the German proposal can be improved to meet the RAF's more demanding requirements. The financial crisis at Ferranti further weighs against the British contender.

● The Asraam missile. A new air-to-air weapon to replace the US Sidewinder in standard Nato use, and one of the armaments for the EFA, it was to be developed jointly by Germany and Britain, in the European end of a twin US-European missile programme worth billions of dollars.

The project was bogged down at the start. Leadership was switched from Germany to the UK. Then, this summer, the Germans pulled out, leaving the venture only partly supported by

Since the clash at the Nato summit, Britain appears to have become more solicitous in its attitude to the Germans

the UK Government and British Aerospace looking for partners to shore up the remainder.

● Export policy. Mrs Thatcher lectured Chancellor Helmut Kohl in a letter last year over Bonn's failure to provide its share of state-guaranteed credits for a £500m deal to supply jointly produced Tornado jets to Jordan. West Germany is debarred by law from selling arms to areas of tension. The British Government has fewer scruples. The financing took so long the deal was incomplete when Jordan's debt crisis came to a head in March. A French fighter deal went ahead. The Tornado sale fell through.

In the wake of all this, officials in Bonn have been alarmed to find many British politicians questioning West German reliability. British suspicion, further encouraged by the scandal over alleged involvement by West German companies in Libyan chemical warfare plans, was reflected in the cool Ministry of Defence welcome for Siemens's takeover of parts of the Plessey defence electronics business. The German company has been limited in its access to some areas of top-secret UK technology.

But since the Nato summit clash, Britain appears to have become more solicitous in its attitude towards the Germans and the atmosphere is less heated. Up to now, the US Administration was clearly paying more heed to German concerns than Britain was, both in the row about Nato nuclear policy and in the controversy about low-flying. Bonn officials say the UK may be beginning to appreciate that the appearance of growing assertiveness is just Germany having its say.

"The national interest of Germany has to be taken into account. We have been saying this for some time, but people in the UK did not want to take notice," says one diplomat. "If you want to have an ally who is reliable you must take into account his interests. Otherwise you will not have a good ally."

They say that widespread British comments about West Germany "going soft," and speculation that the lure of German reunification might make it leave Nato, are based on an underestimation of the country's role in, and commitment to, the alliance. West Germany, with the largest forces of any European ally except Turkey, cannot be put in the same category as Denmark or Belgium, they argue. It has more interest in "forward defence" than anybody, relying on it for the protection of both its security and its investment climate. Opinion polls continue to show overwhelming support for Nato despite strong objections to some Nato policies and some implications of membership.

Germany has taken pains to offset adverse reaction in the UK to the setting up of a Franco-German brigade and other initiatives to strengthen military ties with the French. These, from the German viewpoint, are aimed at drawing France, which stands outside Nato's integrated command system, into the forward defence of the federal republic.

To show it is not neglecting its UK ties, Bonn has set up a joint study group with Britain and proposed a multinational division within the Northern Army Group, of which Britons and Germans form the core. Training exchanges are being stepped up.

"Our military co-operation is perfect," says one senior German officer. "It's much denser – and better – than with the French."

While strong feelings do exist in Germany that some aspects of the allied presence are undesirable, the Germans would be the first to be alarmed by any idea of withdrawal.

BAOR's three armoured divisions are secured by treaty. Unilateral reduction is not now on the cards. That would undercut Nato's position in the Vienna conventional arms talks and aggravate US dismay about Europeans not pulling their weight. But in the longer term the combination of further disarmament, German discomfort and cost to the UK (£2.4bn a year just for BAOR) would be unlikely to leave the British presence untouched.

Nato's proposals in Vienna for manpower cuts affect only US and Soviet troops on their allies' territory. But the Warsaw Pact, with no equivalent to British, French, Canadian, Belgian and Dutch troops in West Germany, can be expected to call BAOR's size into question.

"Even if the Russians don't," says one British official, "the Treasury will."

OBSERVER

Midland man seduced

■ There must be something about haute couture that appeals to the financial mind: the models perhaps, or the sweet smell of artistic creation. Or is it simply the pleasure of selling clothes to the seriously wealthy?

In any event, it has seduced Leon Bressler, the 42-year- old chief executive of the Midland Bank in France. Six months after taking control of Lanvin with Midland, he has decided to give up banking and concentrate full time on fashion.

Bressler will find himself in competition with Bernard Arnault, the financier who has taken control of the LVMH drinks and luxury goods conglomerate and who owns Christian Dior and Christian Lacroix, and with Alain Chevalier, ousted from LVMH by Arnault earlier this year. Chevalier is making his comeback by buying Balmain.

When Bressler first took Midland into a 40 per cent stake in Lanvin, he admits that he looked at the distinguished haute couture house as simply a financial bargain. Enthusiasm came later, as he came to know the business and its employees.

Lanvin was in terrible shape, with losses in 1988 of FFr100m and clear management weaknesses. It continues to lose money, but its debt has been cleared, and it still has a store of underused assets: most notably its name.

The creative side needs pepping up, but that could be solved shortly by the nomination of a new designer, who will produce next January's collection. There is a tantalising rumour that Giorgio Armani might come from Milan, but Bressler has not confirmed it.

The career change is getting to be something of a habit with Midland's top French executives. Hervé de Carmoy, Bressler's predecessor and international director of the entire Midland group, stepped down last year at 51, before switching after a short pause to Société Générale de Belgique, the ailing industrial conglomerate taken over by the Suez group.

Bressler started with Chase Manhattan. He joined Midland 10 years ago to lead – with Carmoy – its foray into France. He will continue to advise Midland Montagu in London and become a member of the supervisory board of Midland in France.

Addictive

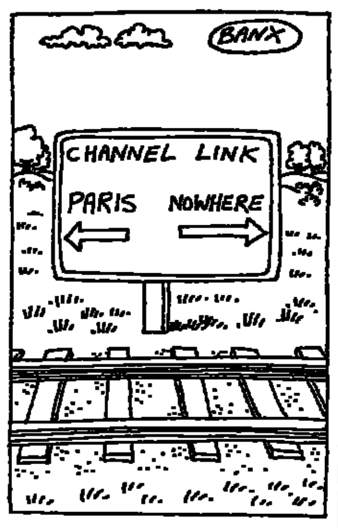
■ The magazine, Executive Travel, tells the story of an Air France passenger who was seen unwrapping, examining, sniffing and then eating one of the airline's scented paper face towels. Half an hour later he had another.

Italian style

■ Italy's leading industrialists competed this week to see who could most impress the horde of international regulators in Venice for the annual meeting of the International Organisation of Securities Commissions. Carlo de Benedetti and Raul Gardini were given high marks for lunchtime speeches over lavish buffets on the island of St Giorgio, where the conference was held.

However, both were outrageously upstaged by Giovanni Agnelli, who shipped all 600-plus regulators, spouses and attendant hangers-on to the Excelsior Hotel, where they were fed a sumptuous meal and Agnelli's honeyed words. The extravagance was the talking point between delegates throughout the next day, pushing aside such matters as the harmonisation of accounting standards.

Top marks for an invitation-



not-to-be refused, however, went to Gardini. A henchman telephoned Geoffrey Fitchew, the European Commission's top company law and financial institutions official, inviting him to dinner with the Ferruzzi chief. Fitchew declined. The menacing reply came: "You do know who Mr Gardini *is*?"

Mild winter

■ The season of mists and mellow fruitfulness arrived in Thirsk with bright sunshine yesterday as Bill Foggitt, the local weather sage, made the most of our Indian summer while it lasted.

Foggitt had his eyes set on the beginning of next week: St Matthew's Day, September 24, to be precise. According to weather lore "St Matthew's brings the cold and dew. I think we can expect it to turn chilly around that time. It usually does," he said. "At least the daddy longlegs are not swarming. When they do, it means rain."

Thirsk has been exceptionally dry in a month generally known for its extremes. Foggitt has a saying to cover it: "September weather either breaks down bridges or dries up ditches." This year it has dried up all the ditches; more importantly, it has also dried up Foggitt's supply of free beer from the farmers.

He said: "I thought they would have been happy about getting their harvest in early, but apparently dry weather makes the soil too thin. It is never just right for them. I have never known a farmer who is not complaining about something."

Foggitt is forecasting another mild winter, though not as mild as the previous two. The swallows are still around which is a good sign, he said. "I have yet to see them mobilising on the telegraph lines."

St John lives

■ Rather a good exhibition at one of London's lesser-known museums. St John Ambulance has a special show about its work during the second world war. This was extensive and went far beyond first aid: it included tracing information about refugees and missing persons. It is often assumed that most of that was done by the Red Cross. In fact, St John and the Red Cross had been working together since the Boer War.

The museum is at St John's Gate, Clerkenwell. There is a permanent exhibition there about the Order of St John, which is well worth seeing and ought to be expanded: the special exhibition runs till Christmas. The area round about is full of new restaurants.

Solidarity

■ "Are you a professional woman?" is the heading of a notice at a Sussex women's club advertising a talk on "Planning for Success." Someone has written underneath: "There aren't any amateur ones."

POLITICS TODAY

New light on the Green faith

By Joe Rogaly

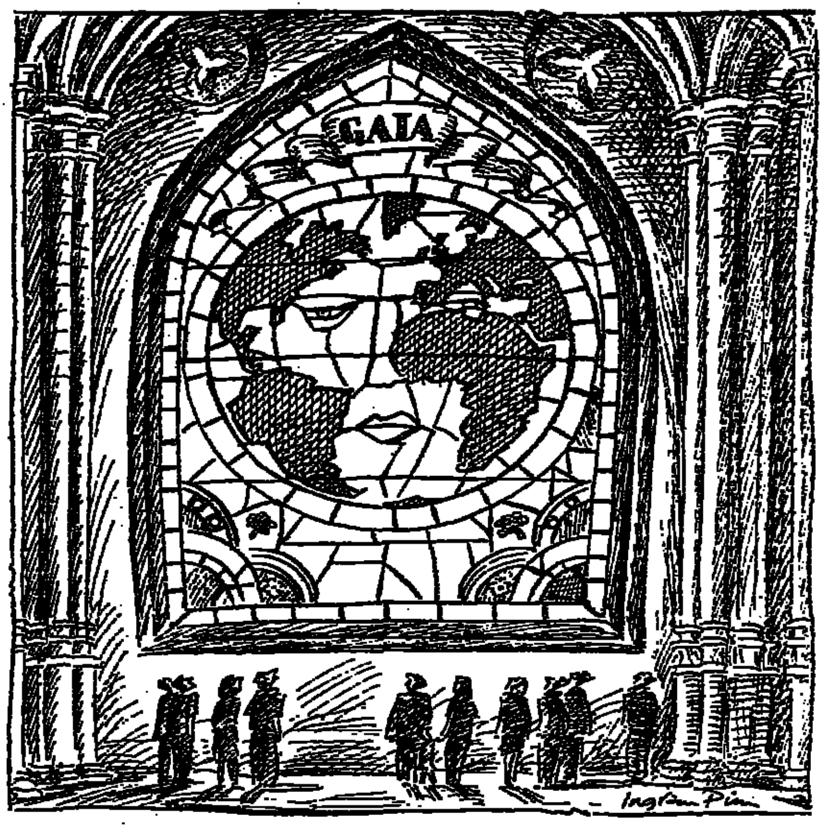
It is not so very surprising, when you come to think of it, that in the West the 20th century should end with a resurgence of the worship of Gaia, the earth-mother, or, as it is put today, the planet as a living organism. This is, after all the century in which God has been proclaimed dead, organised Christian religions are in retreat, and science, the supposed means to the mastery of matter, is everywhere in the ascendancy. Liberal democracy may be catching on, capitalism may be producing a great many motor cars – but what of the human soul? The Archbishop of Canterbury understands this question very well, as indeed it is his trade to do. Last Sunday he told representatives of the Buddhist, Hindu, Moslem, Jewish, Sikh, Bahai and Christian faiths that since the general new sensitivity to nature finds its source at such deep levels of the human spirit "it must, I think, be called a religious conviction . . . But it is not a conviction unique to any one religion in particular, and it is shared by some who would profess no religion at all." He is right. Scratch a member of the Green Party, in Wolverhampton for its annual conference this week, and you will find, likely as not, a highly intelligent young person hungry for spiritual fulfilment. Watch the party in its moment of "attunement," a full minute's head-bent silence before proceedings begin, and the picture is clear.

I know that the above exposition will seem dotty to many people, but if we are to fathom the forces that took the Greens from nowhere just a few years ago to 15 per cent of the vote in the recent elections to the European Parliament and around half that in the polls today it is not good enough to make a few jokes about the party's English eccentrics and universal lunatics and leave it at that. The Greens probably include as large a share of nutty folk as, say, the old Liberal Party, but they also represent a serious trend in thinking among some of the educated youth of the rising generation, not to mention some rather older people who have turned out to be accurate prophets. They do not particularly like their movement to to be called religious, since to many of these deeply serious individuals their beliefs are a guide to everything they do in life, and not separate from practical matters. Hindus, Buddhists, Moslems see the world in much the same way. "Do not go down the Gaia road," warns Ms Sara Parkin, perhaps the most arresting of the contemporary prophets. She means, I think, that her party must win power for its ideas through practical politics. To me, the ideas remain what they are, an essentially religious force. Some Greens will accept the designation "spiritual," but the preferred term is holistic. Everything, they argue, is connected to everything else.

"The Earth is our home," says the party's manifesto. "Life on it depends upon complex interdependent ecological systems, and humans are only one of its species." If that does not spell it out clearly enough, try the rest of the same passage: "Damage to habitats; the result of unecological ideology, the denial of the spiritual link between ourselves and nature, and the relentless pursuit of economic growth, is now of such a magnitude that life on this planet is threatened." Pantheists and animists in tribal cultures believe much the same sort of thing. So do Australia's Aborigines. The new twist is that some of the children of the age of science believe it because of what science has wrought.

We can all talk easily about the planet now because it seems such a small object when photographed from outer space. The present decade has been one of unprecedented man-made disasters, from Chernobyl to the Exxon Valdez. Warnings about the damage to the ozone layer, uttered by Greens when they were universally dismissed as incorrigible cranks, have been shown to be well-founded. Just a year ago Mrs Margaret Thatcher, in perhaps the most important speech she will ever make, showed that she herself, a scientist and hard-headed political pragmatist, perceived that there really might be a threat from the accumulation of greenhouse gases in the atmosphere. Those gases are partially the product of nature (the rear ends of cattle make a significant contribution) but largely the result of industrial growth. Thus the British Prime Minister's Royal Society speech made the possibility of global doom a respectable subject for investigation.

Do not misunderstand me. There is no necessary connection between a proper concern for the environment and membership of the Green Party. It is one thing to phase out the use of chlorofluorocarbons, and something quite other to embrace the Greens' holistic faith, much of which seems to me to include an interweaving of the preoccupations of the radical fringes of the old-established parties. This is not a British phenomenon alone. Ms Parkin takes *Die Grünen* of West Germany to task for retaining "a nostalgia for associating with small left-wing parties." In the current issue of Resurgence magazine she says: "It is to be hoped that *Die Grünen* will heed the lesson of their very modest vote compared to the big gains of Greens in the UK, France, Belgium and elsewhere and cut their umbilical cord with the politics of the past." Yet in Britain one strand of green fundamentalism is very like pre-Gorbachev socialism, another very like pre-David Owen liberalism. This will surely deter many voters.



Thus the holistic vision of Wolverhampton is likely to remain a minority pursuit. To appreciate this all you have to do is walk a few hundred yards from the meeting-hall to this old Black Country town's sparkling new shopping centre where the growth economy is still playing to packed houses. An increasing proportion of Britain's consumers is concerned about the environment, but most such people will merely look for green labels when they shop, leaving mainstream economists and scientists to devise solutions to established threats. All the major political parties are basing their green strategies around the latter proposition – even the Social and Liberal Democrats, in spite of careful references to Gaia by their leader, Mr Paddy Ashdown.

To the deep Greens, this is not enough. The connections between every aspect of human life are of overriding importance. This perhaps explains their accumulation of what to outsiders seem like environmentally irrelevant policies. The Greens want a "steady state" economy, which means no industrially based growth. Their vision is of small communities, repair rather than manufacture ("cobblers, corner shop-keepers, smallholders"), decentralisation, rights for women, redistribution of income, an end to nuclear weapons and nuclear power, a system of animal rights, electoral reform, conversion of the European Community to a Europe of regions, careful fishing that does not "disrupt the sea-bottom habitat" and much in the same vein. They are quick to point out why each bit follows on from each other bit.

It is here that the crucial point of division between the realistic and the fundamentalist Greens is to be found. At heart most of them remain fundamentalists, convinced of the need to change the way most of us think, so that our civilisation may be transformed from one based on western-style growth to a condition they perceive as stable. Ms Parkin herself said yesterday that "all our policies are crafted to be in tune with the triad of Green solidarities – with each other, with other species and with future generations." The realists know, however, that they cannot expect many of us to swallow all this at once. They are therefore at their most successful when they propound policies that will attract a wide response, such as control over pollution, recycling, energy efficiency, and the like. The Conservative and Labour parties would be wise to comb the Green manifesto for its many sensible suggestions on issues of this kind. Again, the Greens want everyone to change the way they live, so they have organised their party as a loose Athenian democracy in order to set an example. The realistic leaders among them want a more conventional party, with delegates and perhaps a more visible set of official speakers (there is a strong desire to avoid having a single leader).

In some countries with proportional representation the realistic approach is already bearing fruit. In spite of the disappointments of *Die Grünen* at the midsummer elections to the European Parliament, West Germany's realistic greens have joined a coalition in Berlin – there was previously one in Hesse – and are threatening the Free Democrats' position as the natural third party nationally. The influence of the small contingent of Greens in the Italian Parliament is disproportionate to its numbers. In France *Les Verts* gained 10.5 per cent of the vote in the European election, and eight seats at Strasbourg. The combined Green force in the European Parliament will act as an important EC pressure-group, a fact that is surely not unconnected with the tough stance taken in Brussels over the purity of Britain's water.

In Britain, however, first-past-the-post voting will condemn the Greens to a few local council seats and perhaps, one day, a handful of seats in the House of Commons. Green politics nationally is already becoming a matter of competition between the main parties, as it did in the Scandinavian countries. Whether this matters or not depends upon whether you accept the Green assertion that in the end industrially based growth combined with the population explosion will destroy the earth. Bolting on technological palliatives, which is the mainstream answer, just postpones the evil day. In yesterday's debate about the "green consumer" there was little cheer for the idea that purchasing power will save us by forcing manufacturers to make environmentally safer products and general enthusiasm for the view that the necessity is to consume less. The speech by David Icke, a "nationally elected spokesperson" was all about putting a stop to the "take, make and throw away" economic system in which we live. It received strong applause, and much support from the floor. I just wish I was absolutely certain that this line of prophecy will turn out to have been the Greens' big mistake.

LOMBARD

The absurdity of A levels

by Michael Prowse

THE headmasters of Britain's public schools are probably the most conservative group of educationalists in the country. They also regard themselves as guardians of standards in schools. Yet this week Mr Martin Marriott, the chairman of their annual conference in Oxford, strongly attacked English sixth-form education. Advanced and Advanced Supplementary exams (A and AS levels), he argued, are an "inadequate and inappropriate" diet for 16 to 18 year olds. He made a case for a broader, more accessible curriculum.

Mr Marriott's arguments are not new. Educationalists have been demanding a broader sixth-form curriculum for years. Indeed, only last summer a committee chaired by Professor Gordon Higginson of Southampton University argued that A level syllabuses should be pruned and pupils required to study five rather than three subjects. This has long been standard practice in Scotland. But the Thatcher Government remains curiously resistant to such arguments. Downing Street rejected the Higginson proposals on the grounds that they would debase A levels and thereby jeopardise educational standards. The case for reform is simply not understood.

The first powerful objection to A levels is that they are an élitist exam designed to serve the needs only of the top 25 per cent of academic children. The only option available to the majority of children is a ragbag of vocational qualifications, which are often best pursued outside the school system. It is thus not surprising that two thirds of British children opt to leave school at 16. In competitor countries such as the US, Japan, and South Korea, the drop out rate is only about 10 to 15 per cent. The new AS level exams offer little solace because they are designed to be as demanding as A levels; the only difference is that they can be completed in half the time.

The second objection is that A levels, although designed for bright children, do not serve their interests. The size and difficulty of syllabuses ensure that pupils study only a few subjects. Three A levels is supposedly the norm, but many pupils take only two. The failure rate is high, with up to 25 per cent of papers ungraded. And subjects tend to be taken in related fields. Thus aspiring scientists might take maths, physics and chemistry while arts specialists might opt for English, history and French.

But neither kind of combination offers a remotely balanced curriculum. Indeed, it is difficult to see how any combination of three subjects can offer the broad base required. What is the sense, for example, in studying English, biology and economics? AS levels do not offer a practical solution because they are inevitably regarded as adjuncts to A levels. The touted new norm of two A and two AS levels would represent at best only a marginal improvement on the traditional pattern of three As.

The need for radical reform is inescapable. The challenge for Mr John MacGregor, the new Education Secretary, is to create a balanced system of sixth-form education which can be tackled by the great majority of pupils. It should form a natural progression to education during the compulsory years of schooling. One obvious option would be to extend a modified form of the national curriculum for 5 to 16 year olds. After all, why stop at 16 if you think the majority of pupils should study for longer? But the Government could also look carefully at the various systems employed in competitor countries, none of which allow premature specialisation on the British scale.

An ideal sixth-form curriculum would allow relatively little subject choice – although a vocational option for less academic children would be essential. The emphasis ought to be on providing the full range of skills and knowledge needed in the complex modern world. Thus the majority of students ought to study not just maths, English, and science, but also a foreign language, a social science and an aesthetic discipline. Such a reform would amount to a revolution. It would require sixth-forms to *educate* students rather than merely offer cramming services in a few arbitrarily chosen A levels.

LETTERS

Subsidies for the Channel Tunnel

From Mr Angus Dalgleish.

Your editorial (September 18) comes round to the view that subsidy will be necessary for links to the Channel Tunnel. Subsidy may well also be necessary for the Tunnel itself to ensure completion. Politicians who have promised again and again that the whole thing could be done with private money will be made to look foolish. Yet they could have avoided this embarrassment very simply if they had initially asked themselves the question: "How by joining two heavily loss-making national rail networks by a very expensive tunnel, do you make a profit?" The answer is obvious.

I suspect that the promoters had a good idea of this outcome, but relied on the project becoming "unstoppable," so that public funds would have to be made available to avoid the loss of face resulting from abandonment.

The "everyone else is doing it" argument is a poor one. Those using high speed rail services are, in the main, the well-off and those with expense accounts, the last people who deserve to receive public handouts.

As you hint, what is really needed is a re-organisation of European air services with regard to both competition and traffic control. This very fast and efficient means of travel could then provide, as in the US, all that is needed in the way of communication with the heartlands of the EC.

Angus Dalgleish,
Shouson Hill,
Ruxbury Road,
Chertsey

From Mr Stephen Timms.

Sir, In Newham we are convinced that Stratford rather than Kings Cross must now be considered properly for the second Tunnel terminal. Stratford will be up to £1 billion cheaper. It will also be better, with ample room for a surface level terminal, services and future expansion, plus superb motorway, rail and air access. Last week's fire safety report on the planned Kings Cross underground terminal shows again how ill conceived it is.

More broadly, we are proposing a national forum to develop a coherent framework for exploiting the Tunnel in order to ensure that the benefits are maximised nationwide. The forum needs participation by the private sector and by government at the national and local level. We are hoping for an autumn launch.

Now is the time for a re-assessment of the national response to the Channel Tunnel. Otherwise, it's heading straight for the buffers.

Stephen Timms,
Newham Council,
Town Hall,
East Ham, E6

From Mr David Sawers.

Sir, Your argument in favour of government assistance towards the cost of a new railway from London to the Channel Tunnel would have been more convincing if you had spelled out the expected benefits more carefully. Many potential investment projects are abandoned because they seem unprofitable: government subsidies for such projects can only be justified if the benefits to the community as a whole exceed the cost of the subsidy.

The relevant costs and benefits in this case would be those arising from the construction of the proposed railway, compared with those related to a railway line which did not require a subsidy. If there will be a demand for extra capacity on this route, there should be some means of satisfying it at a profit. The first step to take if a project looks unprofitable should be to consider alternative solutions. I am surprised that you did not advocate such a step.

Once a profitable scheme had been identified, it would be possible to estimate whether the benefits it produced to people who did not use were so much less than those produced by the present scheme that a subsidy would be justified.

It seems unlikely that these benefits would be large: faster journeys might generate extra travel, but the effect on trade between Britain and Europe, and the effect of this extra business on the gains from trade, would probably be small to insignificant. Faster and cheaper transport may increase traffic in both directions, and so may encourage imports as well as exports – a point sometimes forgotten in these discussions. The users of the new railway might be happy to get a better service at the expense of the taxpayers, but their happiness would not represent a case for a subsidy.

If there did seem to be any case for subsidising a high-speed railway, it would have to be compared with that for subsidising other modes of transport to Europe. Subsidies to ferries, for example, might benefit more freight traffic.

David Sawers,
10 Seaview Avenue,
Angmering-on-Sea
Littlehampton.
West Sussex

Greens redux

From Dr Wolfgang Rudig.

Sir, While I agree with most of your analysis (leader, September 19), I think you underestimate the potential of the Green Party to establish itself as a force to be reckoned with.

Despite all the green frenzy this summer, the opposition parties have moved further away from important "green" positions in an attempt to capture the centre ground. The three largest parties have moved closer together leaving a gap in the political terrain.

Many British voters who strongly support radical measures such as an immediate shut-down of all nuclear power stations will now feel unrepresented by Labour or the SLD.

The Green Party is well placed to capture most of the radical sentiment of British politics provided it manages to project a clear identity and smooth out its more idiosyncratic elements. This will not win any seats in the next general election. Those who might vote Green may well vote Labour if there is a prospect of an end to the Thatcher era.

But if Labour's transition into a "traditional European social democratic party" is successful and given electoral success, the perfect conditions for the endurance of the Greens would be created. And with an increasing shift of decision making to Europe from 1992, the British Green Party has a real potential to exert direct political influence with its continental sister parties.

Dr Wolfgang Rudig,
Department of Government,
University of Strathclyde,
Glasgow

Seeing red

From Mr Desmond Goch.

Sir, U.M. Spencer (letters, September 13) might well have included British Gas and the area electricity boards in his criticism of British Telecom for its timing of reminder notices. These enterprises have still not realised that their commercial and industrial customers nowadays process accounts for payment by computerised systems that often require a settlement date that does not exactly coincide with their own monthly accounting dates. Nevertheless, most customers pay within the month. Bilious-coloured reminders create more work for credit controllers and achieve little but the loss of customer goodwill.

Desmond Goch,
4 Paddock Wood,
Harpenden, Herts

Demographics

From Dr Paul Johnson.

Sir, Samuel Brittan's bullish account of the impact of east European immigration on the West German economy (September 14) needs to be set within the context of West Germany's current demographic problems. The latest OECD projections indicate that the country's working-age (15-64) population will fall from 42m today to 24m by 2050, and over the same period the burdens of funding the state pension system will force the pension payroll tax up from 18.5 per cent to something over 40 per cent.

Mass immigration from East Germany (population 17m) cannot close the labour force gap, but it can add substantially to the financing problems faced by the West German social security system. Unlike guest-workers, immigrants cannot be sent "home" when their productivity declines. Today's immigrants are tomorrow's pensioners, and any new arrival aged 25 or above will be drawing a pension by 2030, when the demographic pressure on the pension system will be at its peak.

Those long-term costs of the current immigration could be avoided if the immigrants were to be denied participation in the West German social security system, but this would hardly show the West as an open and generous society.

Dr Paul Johnson,
The London School of Economics and Political Science,
Houghton Street, WC2

FINANCIAL TIMES
Friday September 22 1989

Bundesbank warns on robust pace of growth

By Andrew Fisher in Frankfurt

WEST GERMANY'S central bank, the Bundesbank, yesterday highlighted the "growing risks" generated by the robust pace of the country's export-led economic growth, indicating that it would raise interest rates further if inflation looked like moving out of control.

It said in its latest monthly report that the relative calm in prices should not lead to these risks being ignored. Renewed commodity price rises and the weakening of the D-Mark against the dollar meant that influences from abroad would tend to move prices up.

Moreover, domestic cost pressures would increase as a result of economic tensions caused by high growth. Thus, the Bundesbank added, "it would currently be wrong to sound the all-clear."

There is no sign of an end to the high demands being put on the country's productive resources. The latest monthly inflation figures show a decline to an annual rate of just below 3 per cent.

However, the bank said that in view of capacity bottlenecks, a significant rise in the low real rate of private consumption would very probably lead to immediate inflationary tensions. (Next year brings the final round of tax cuts in the Government's reform package.)

The bank noted that its monetary policy, including rises in the discount and Lombard interest rates, had been aimed at keeping inflation under control. Internationally, however, Germany's rates were still low.

Last month the M3, the broad monetary aggregate, rose by 5.25 per cent, slightly up on July, but still in line with the Bundesbank's target for the year of about 5 per cent.

Not all economists share the bank's misgivings. Mr Norbert Walter, chief economist of Deutsche Bank, said this week that the margin for inflation acceleration was fairly small. Higher growth and employment and low inflation could be seen as a "golden age." He added: "Expressing satisfaction is not, however, a German trait. The normal German reaction is to talk about Angst."

The view that higher-than-usual German economic growth must inevitably lead to bottlenecks and inflation overlooked the big rise in the labour force caused by the maturing of those born in the post-war baby boom and the influx of ethnic Germans.

This was a boost for the German economy. Mr Walter said that next year's wage talks were a source of justified concern for the Bundesbank, and he would raise rates further if wage deals weretoo high.

Japan stresses strength of dollar, Page 4

High-speed Channel rail link may cost £4.5bn

By Kevin Brown, Transport Correspondent, in London

THE joint venture company being negotiated by British Rail and two private sector consortia to build the Channel Tunnel link line might need to raise as much as £4.5bn ($7bn) after allowing for inflation but not interest charges.

This is the approximate figure being discussed between BR and officials of Trafalgar House and Peninsular and Oriental Steam Navigation. The total is higher than previous leaked estimates of between £3bn and £3.5bn because it includes two significant new elements.

One is the cost of 60 environmental improvements in Kent and London which BR executives believe are essential to get parliamentary approval for the project.

This work, which will cost "several hundred million pounds," is in addition to substantial tunnelling and other environmental concessions announced by BR in March.

The total also includes £1.1bn for rolling stock, track improvements and other costs relating to the period between the opening of the Channel Tunnel in 1993 and the opening of the high-speed line several years later.

BR regards these costs as an integral part of the high-speed line project and wants to include them in the financing of the joint venture company it is discussing with Trafalgar House and Peninsular and Oriental Steam Navigation.

This is not thought to be an area of disagreement with the consortia since it could be financed from BR's own resources if necessary, reducing the financing requirement for the joint venture company to about £3.4bn.

BR executives say talks are going on "almost round the clock" with the consortia, and that there is still hope that the project can be financed without government help.

One possibility is that the cost of the environmental improvements identified since March could be reduced.

However, this might threaten the success of the Private Bill BR hopes to table in November.

The two sides are also discussing innovative financing for a joint venture company which would make use of intermediate financing

However, there are doubts about whether such a scheme could work without a government financial guarantee, in view of the probable break-up and privatisation of BR after the next general election.

"We cannot guarantee that we can square the circle, and if we can't we will have to go to the Government for help. But we are not at that stage yet," one executive said. Background, Page 8

● The inaugural demonstration of France's new high-speed rail line between Paris and the West ran into difficulty on Wednesday when demonstrating trade unionists blocked the line and prevented the train from getting into Le Mans station. But the trial proved that the train is faster, smoother and more comfortable than the existing TGV to Lyons. Page 2

A garlanded Vietnamese officer kisses his tearful Cambodian counterpart yesterday to bid farewell as thousands of Vietnamese troops drove out of the northern Cambodian town of Siem Reap at the start of Hanoi's final withdrawl ending an 11-year presence in the country. Report, Page 4

Thatcher warns against any weakening of West's defences

By Philip Stephens in Tokyo

MRS Margaret Thatcher, Britain's Prime Minister, yesterday foreshadowed her weekend talks in Moscow with President Mikhail Gorbachev, the Soviet leader, with a warning that the West must not react to his "bold and courageous initiatives" by weakening its defences.

Her comments in Tokyo, where she is on an official visit, came as Mr Eduard Shevardnadze, Soviet Foreign Minister, presented Moscow's latest arms control initiative to US President George Bush.

Mrs Thatcher, who yesterday discussed the progress of arms control negotiations during a brief meeting in Tokyo with Mr Dan Quayle, the US Vice President, has yet to study the details of the proposals which Mr Gorbachev wants to put at the top of their agenda on Saturday.

British officials expect the Soviet offer to include acceptance that the types of aircraft included in any agreement should be widened and a suggestion that limits should also be imposed on national ground forces.

Mrs Thatcher made clear at a press conference that she was not prepared to be rushed into an accord in the current negotiations in Vienna on conventional forces.

Britain is also playing down suggestions that Mrs Thatcher's meeting with Mr Gorbachev could lead to a breakthough.

Mrs Thatcher will to seek to reinforce that message in a speech just before her departure from Tokyo later today.

In an address to the International Democratic Union – an international grouping of centre-right parties – she is expected to voice her concern about the trend of public opinion in other European countries towards rapid disarmament.

Mrs Thatcher, who yesterday combined effusive praise for Mr Gorbachev's reforms with her call for the West not to drop its guard, will underline when she meets the Soviet leader that she is determined to resist the denuclearisation of Europe.

She described Mr Gorbachev as the "most bold and courageous leader that the Soviet Union has had while it has been under Communism." The West should do everything it could to support the "great historic movement" which he had set in motion.

The reforms, however, also signalled a period of great uncertainty as political expectations ran ahead of economic change. That was exactly the wrong time for Nato to reduce its defences.

Mrs Thatcher added: "You do not prevent wars by disarmament. You prevent wars by quietly being prepared and having a sure defence."

Her comments reflect Britain's concern to resist any pressure for the West to respond to Mr Gorbachev's initiatives with unilateral reductions in Nato forces. The two leaders will meet for three hours on Saturday morning and then resume their discussions over lunch before Mrs Thatcher flies back to London later that evening.

British officials were stressing yesterday that she would be seeking a full briefing on Mr Gorbachev's assessment of the policies agreed at this week's meeting of the Soviet Communist Party's Central Committee.

Mrs Thatcher is also anxious to gauge the Soviet reaction to events in Poland and the recent flight of East German refugees to the West through Hungary.

Thatcher in blunt attack, Page 4

US may seek to lift curbs on diplomats

THE BUSH Administration is considering proposing the lifting of the long-standing curbs on the movement of US and Soviet diplomats within the two countries. The initiative may be presented to Mr Eduard Shevardnadze, the Soviet Foreign Minister who is today beginning two days of talks on arms control, human rights and other bilateral issues with Mr James Baker, the US Secretary of State. Mr Shevardnadze was also meeting President George Bush yesterday. The proposal, called "Open Lands," is part of the Administration's effort to prise open Soviet society and take the Soviet Union's glasnost reforms at face value.

New Polish Parliament votes itself a 150% pay rise

By Christopher Bobinski in Warsaw

POLAND'S new Parliament has taken advantage of a slight lull in its hectic proceedings, swallowed hard and decided to give itself a 150 per cent pay rise.

Problems over legislators' pay are common to many parliaments, which must think of the awkward questions voters might ask, but is especially acute in countries such as Poland. Here, its members are expecting soon to be asked to approve hefty austerity measures by the country's Solidarity-led Government.

Nevertheless, almost from the beginning when Poland's 460 deputies in the Sejm and 100 Senators in the Upper Chamber were sworn in last July, realisation has been growing that something had to be done about the 100,000-zloty (about $95) monthly allowance they had inherited from their predecessors.

Since then, inflation has speeded up dramatically and parliamentary politics has become almost a full-time job with government coalitions collapsing and reforming, new laws to be passed and the demands of voters to be attended to.

Under the present system, deputies get a wage from their normal place of work, where they retain their jobs, plus a parliamentary allowance.

When parliamentary duties were relatively light and decisions taken elsewhere the arrangement worked.

But now the self-employed, lawyers, doctors with private practices and farmers have been suffering most.

One owner of a private business, for example, says: "I know I'm getting ripped off by my employees because I'm not able to be there as much as I used to be but there's nothing I can do about it. I have to be in Parliament".

Even those with a job find themselves worse off.

An academic who has always supplemented his salary with freelance work found most of his time taken up by Parliament and faced the prospect of relative penury for four years.

Finally, this week Parliament announced the deputies would have their allowances increased to zlotys 240,000 (just over the national average industrial wage) and those living outside Warsaw, who are in the majority, would get 50 per cent more.

It's a large increase in percentage terms but not as ambitious as the suggestion put forward by the Peasant Party, ZSL, that MPs allowances be fixed at three times the national average wage.

Farmers had argued that soon MPs would have to cover the expenses of running an office in their constituencies and that in any case the time had come to treat MPs as professionals and not amateurs.

It's an idea which most of Poland's new MPs, Solidarity and Communist alike, agree with in their heart of hearts.

However, they are apparently afraid to formulate it aloud since its time has not quite yet arrived.

Auschwitz site convent should move, says Glemp, Page 2

Court defines Commission powers

Continued from Page 1

The most delicately-phrased part of the ruling relates to cases where the company refuses to co-operate with the Commission.

The judgment says: "The Commission, on such an occasion, has to respect the procedural guarantees of national law and must take note of the competent judicial authority..."

However, in another important passage, the Court underlined that this national authority "cannot substitute its own appreciation of the nature of the proofs required for that of the Commission, whose evaluation of the facts and of the law are alone subject to the control of the European Court of Justice."

The Hoechst case represented the first time a company had questioned the Commission's powers to demand information on suspected cartels – as opposed to the validity of data gathered in such raids.

The Commission did eventually gain entry to the Frankfurt premises as part of its inquiry, which ended last year with the imposition of a record Ecu60m ($56m) fine on 23 petrochemicals producers.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	79	Dubrovnik	S	28	82	Malta	S	29	84	Rhodes	S	28	82
Algiers	F	30	86	Edinburgh	C	18	64	Manchester	S	19	66	Rio de J'o		–	–
Amsterdam	S	24	75	Faro	F	27	81	Manila	F	33	91	Rome	S	28	82
Athens	S	27	81	Florence	S	28	82	Melbourne	S	18	64	Salzburg	S	23	73
Bahrain	S	31	88	Frankfurt	F	22	72	Mexico City	R	21	70	San Francisco	F	11	52
Bangkok	C	32	90	Funchal	–	–	–	Miami	F	24	75	Seoul	C	23	73
Barcelona	F	24	75	Geneva	S	23	73	Milan	S	26	79	Singapore		–	–
Beirut	–	–	–	Gibraltar	S	24	75	Montreal	C	16	61	Stockholm	S	21	70
Belfast	C	17	63	Glasgow	R	15	59	Moscow	F	20	68	Strasbourg	S	25	77
Belgrade	S	22	72	Guernsey	S	20	68	Munich	S	21	70	Sydney	F	18	64
Berlin	S	25	77	Helsinki	S	20	68	Nairobi	F	28	82	Taipei	R	28	82
Biarritz	S	28	82	H. Kong	C	28	82	Naples	S	32	90	Tangier	S	26	79
Bombay	F	32	90	Innsbruck	S	26	79	Nassau		–	–	Tel Aviv	S	31	88
Bordeaux	S	26	79	Inverness	R	13	55	New Delhi	S	34	93	Tenerife	S	27	81
Brussels	S	24	75	Islamabad	C	32	90	New York	C	23	73	Tokyo	C	24	75
Budapest	S	27	81	Istanbul	F	24	75	Nice	S	27	81	Toronto	S	11	52
B. Aires	F	22	71	Jakarta	C	32	90	Nicosia	S	27	81	Tunis	F	31	88
Cairo	S	31	88	Jersey	S	23	73	Oporto	F	20	68	Valencia	C	24	75
Cape Town	F	15	59	Jo'burg	S	25	77	Oslo	S	19	66	Venice	S	27	81
Caracas	F	28	82	Lima	C	19	66	Paris	S	25	77	Vienna	S	25	77
Casablanca	–	–	–	Lisbon	S	23	73	Peking	S	20	68	Warsaw	S	23	73
Chicago	C	13	55	London	S	24	75	Prague	S	24	75	Washington	Dr	24	75
Cologne	S	25	77	Los Angeles	F	17	63	Reykjavik	S	07	45	Zurich	C	19	66
Copenhagen	S	19	66	Luxembourg	S	23	73								
Corfu	S	30	86	Madrid	S	23	73								
Dallas		–	–	Majorca	S	26	79								
Dublin	C	17	63	Malaga	F	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SA unions call for action

Continued from Page 1

all township businesses run by "collaborators." Given historical restrictions on business activity by blacks, this would exclude most of the retail sector in South Africa.

However organisers of the action believe consumers will be able to meet basic needs for a fortnight from the remaining "approved" black businesses.

They called for the protest to be peaceful, mindful of the fact that violent methods have been used by activists to enforce previous boycotts.

The boycott can be seen as part of the continuing campaign of defiance mounted by anti-apartheid activists, which was yesterday extended to South Africa's military conscription laws. Some 780 white men pledged to defy conscription, the largest challenge to the country's system of mandatory military service.

Names of the conscientious objectors were released at news conferences in six South African cities. They included a large number of professionals who said they would emigrate rather than serve.

Goldsmith bid escapes MMC

Continued from Page 1

Takeover Panel ruling – currently the subject of appeal by BAT – Hoylake is expected to let its present offer lapse.

Mr Pat Sheehy, BAT chairman, also said yesterday that the company was "determined to take suitable measures to provide a sustainable long-term increase in shareholder value". There has been pressure from institutional shareholders to devise a means of preventing a sharp share price fall if Hoylake is defeated.

THE LEX COLUMN

Rallying round to fix Ferranti

Ferranti may still be struggling in the water, but the lifeboat is on the way. As the price of the banks' support the company must sell £100m of assets, besides coming up with new equity. But financing aside, the Ministry of Defence has made a public statement of its desire to see the company survive, and of its own willingness to put business its way. In a crisis with such deeply political undertones, this could be worth more than bankers' credit.

Reading between the lines, it would be surprising if the disposals did not consist of all or part of the ISC weapons business. Thus restored to purity, Ferranti would be much better equipped to attract equity backing. The company's preferred option would doubtless be for an industry big brother to take a minority stake. That might not be enough; a 15 per cent equity injection at say 50p per share would raise just £56m, and the gap sounds rather bigger than that.

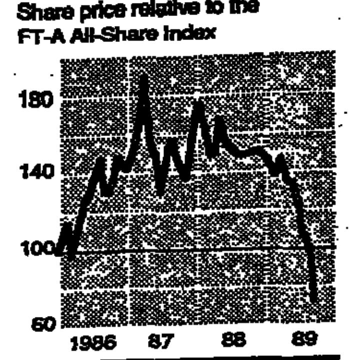
But with a little help from official quarters, something might be cobbled together. The MoD is plainly anxious to preserve a counterweight to the new enlarged Marconi, and might well prefer to see Ferranti continue as an independent entity. Though an outright takeover still seems quite possible, one could also envisage the authorities leaning on the institutions to come up with their share of the rescue money. Tory Governments are not supposed to do that; but with the Ferranti AGM due bang in the middle of the party conference, an exception could doubtless be made.

TVS/MTM

TVS was obviously taking a gamble when it bought MTM, which had a couple of past successes but hardly any current hits. The size of the risk has only just come home to investors, judging by yesterday's 26 per cent fall in the share price. One could accept the explanations about the problems of the syndication market were it not for the fact that the prime syndication selling season is from September to May. The four month gap since then does not reflect too favourably on TVS's management reporting systems.

The record of diversification by TV companies is hardly distinguished; but the current crop of ITV companies is all too eager to expand ahead of the franchise auction late next year, as indicated by Thames's interest in the loss-making Reeves Communications. Ironically, TVS's ambitions may have left it more vulnerable to a bid ahead of the auction date, given that MTM is unlikely to make a profit for a year or two. Perhaps, like one or two other British companies which have bought too hastily in the US, it should have heeded the homily at the start of MTM's Hill Street Blues – "Let's be careful out there".

TVS
Share price relative to the FT-A All-Share Index



BAT/Hoylake

Mr Ridley's first big decision on competition policy shows him sticking closely to the tenets of his predecessor: gearing is a matter for the market, overseas ownership is immaterial and competition is all. This was to be expected from a man with Mr Ridley's reputation for dryness. But it is worth recalling that size and visibility apart, BAT is not the test case it looks.

Hoylake being a mere shell, referral on pure competition grounds would have been impossible even if desired. As for gearing, the only real argument would apply to Eagle Star, and that is a job not for the competition authorities but for the DTI's Insurance Division. And perhaps above all, a cigarette manufacturer is short of friends.

Nevertheless, there is no denying that apart from the curious let-out clause on changed bid terms – it is hard to imagine terms dodgier than the present ones – the Government has given its blessing to the leverage culture. But in ideological terms it could scarcely have done otherwise; and judging by events across the Atlantic, the culture may not have much longer to last in any case.

TI/Mannesmann

It is only human instinct to look for the catch in Mannesmann's plan to spend a fraction of its cash pile to buy five per cent of TI Group. For once, though, the 8p rise in TI's share price to 483p sums up the situation fairly. The stake is very amicable; but Mannesmann's willingness to buy in at 525p suggests strong confidence that the international joint-ventures between the two will accelerate TI's growth in the medium term.

Apart from the extra access TI hopes to gain to West Germany, there are other short-term benefits for TI's shareholders. With TI's metamorphosis into a high-margin tube, seal and automotive engineer complete, the group's shares had been languishing against the market for much of the year.

Given TI's ability to add value to its purchases, an acquisition or two might have helped get the shares moving again. Since the balance sheet has been in a net cash position since February, it could have afforded a fair sized buy; but access to Mannesmann's firepower in funding a deal helps remove stock market worries about capital raising for a larger deal. Since only 10 per cent of Mannesmann's net sales are North American, and TI has acknowledged expertise there, one speculates that the US will be high on the agenda.

RMC

Since RMC's half-year pretax profits were the best from the building materials sector, the 3p drop in the share price to 732p was mainly due to its candour about the industry-wide slow-down in demand. That RMC's DIY stores saw sales fall a tenth in August is no huge problem; they only account for 6 per cent of group-wide profits. And since new housing takes just a quarter of RMC's UK ready-mix concrete and aggregates output, and its West German operations are strong, RMC has less to fear than some think from a British house-building recession.

The central issue is RMC's expectation that UK demand for ready-mix and aggregates will fall in 1989's second half relative to 1988 and remain unchanged next year. If profits for companies like RMC, Tarmac and Hanson are to advance in areas like these in 1990, some big price increases will be needed. They may come, but only as a result of oligopoly and the UK's chronic shortage of mineral reserves.

SECTION III

FINANCIAL TIMES SURVEY

After a period of acute space shortage, the City of London property market is now swinging in favour of the tenant. Foreign investment is coming in, but domestic confidence remains fragile, reports **Paul Cheeseright**, Property Correspondent.

Search for equilibrium

SHARP DIFFERENCES of perception hang over the City market. Debate centres on whether there is too much office space. There is growing concern that the development response to high demand has been overdone.

To be sure, there is no simple answer. It is easy enough to measure the scale of office supply, much more difficult to estimate likely levels of demand. Four years ago, few disagreed that something had to be done to meet the space demands of the financial sector; if not, it would go elsewhere. Now the expansion of the financial sector is uneven with investment bankers never so busy and securities houses retrenching.

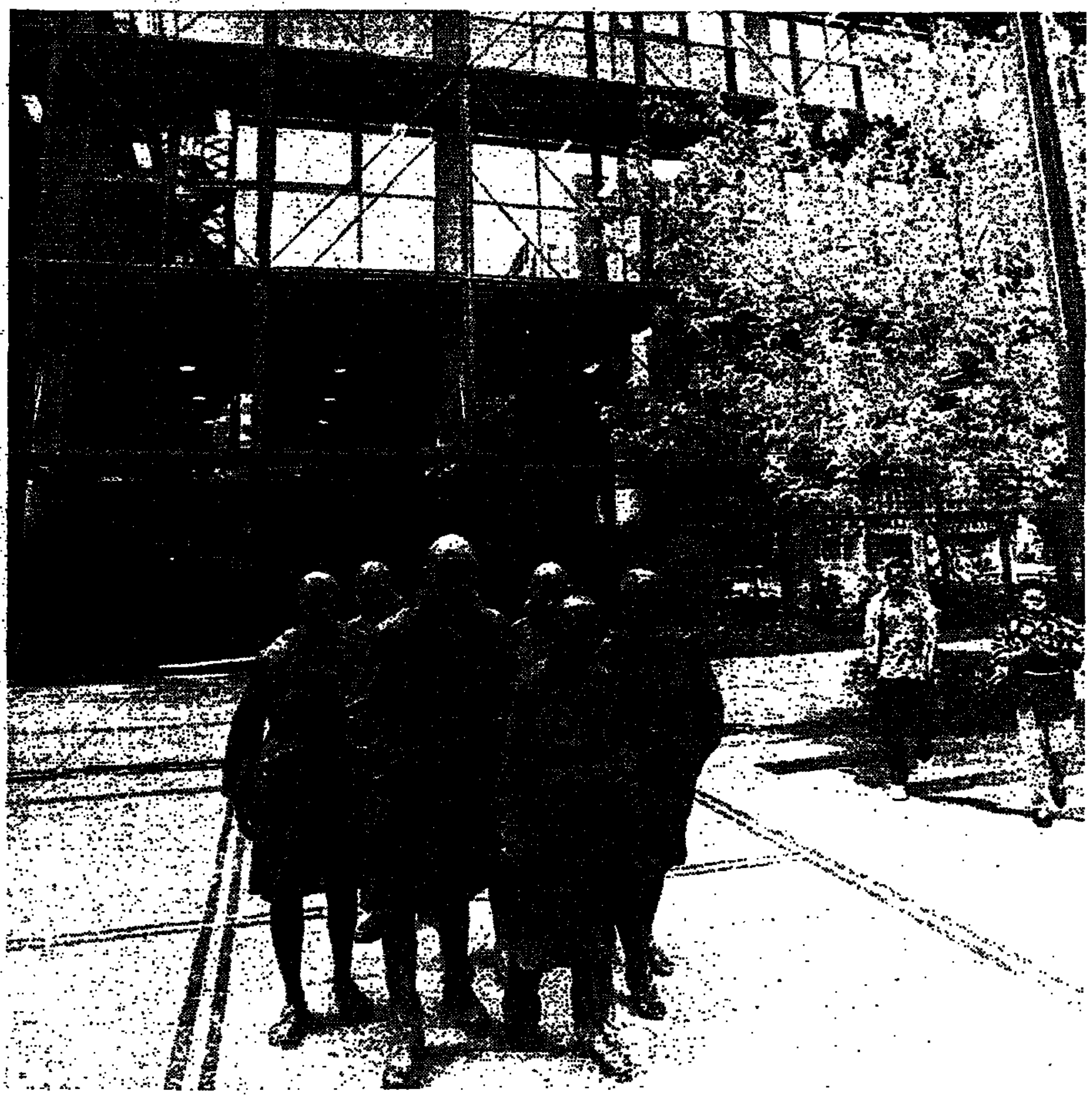
There is a popular belief, not, it has to be said, based on any mathematical calculation or fine appreciation of supply-demand trends, that there cannot possibly be enough people to fill the offices sprouting out of the ground. It is all too much.

Certainly the stock market, whose view of what goes on in the property industry is unduly influenced by what happens in the City, takes a gloomy view of property companies. Clearly oppressed by the number of cranes on the skyline, the market has put even the strongest investment companies at a significant discount to their asset values.

Certainly, too, the property developers have been taking a cooler view of the prospects. The rush to develop is over. Buildings bought for redevelopment have been put out on short-term leases to form the stock of the next development surge.

Further, the Corporation of the City of London has taken its own view. For the last 18 months it has been taking a more stringent view of planning applications. Before the equity market crash of 1987 it was generally prepared to accommodate developers by giving a liberal interpretation to the planning regulations. It did not want to hinder development. All that has changed. The City Corporation does not want streets of empty buildings.

These are all cautionary beliefs that, combined with broader factors like the sharp increase in bank lending to property companies, have helped to engender a feeling that there is trouble ahead. Hence the property industry has its own version of the discussion about soft and hard landings for the economy.



CITY OF LONDON PROPERTY

Chartered surveying practices, which provide a good deal of the available research on the City market, have been at some pains to assure anybody prepared to listen that, fundamentally, there is nothing wrong with the market: the long term is secure.

There is, however, common ground that, in the short term, the market is swinging into greater equilibrium between landlord and tenant as the supply of available offices increases.

At the end of July, Richard Saunders noted that although the availability of offices had declined fractionally over the month in the City core, the total at 5.8m square feet was 10 per cent higher than the monthly average for the first half of the year. In the City fringes, available accommodation increased slightly to 7.2m square feet and was 7.25 per cent higher than the first half monthly average. Debenham Tewson & Chinnocks observed that the increased number of units above 50,000 square feet becoming available "has had a significant impact on the supply level."

Yet demand for offices has remained firm and the take-up of space, putting aside the months of the summer holiday, has been higher than in the closing months of 1988. But the greater availability of space and increased choice for tenants has meant that leasing deals take longer to negotiate and that rents have stabilised, albeit at a high level. The range runs from £30 a square foot on the City fringe south of the River Thames to nearly £70 a square foot in the heart of the City.

Arguably, then, the market is healthier than it was two years ago when acute space shortages led to a rush among prospective tenants to snap up anything becoming available. The trick is to establish whether the market is settling down after abnormal conditions or sliding into the depression of excess.

Jones Lang Wootton was one of the first surveyors a couple of years ago to point up the possibilities of over-supply. Now it believes the market is simply settling down. In its latest market report, it pointed to the third successive six-monthly increase in unsatisfied demand for space. There is a requirement, it calculated for 10.5m square feet.

City bulls have already seized on the Richard Ellis estimate that the amount vacant accomodation, now at eight per cent of the total stock, will rise to 11 per cent in 1990-91 and decline thereafter. The peak of new supply was reached in 1988, Ellis considered.

Baker Harris Saunders noted that the lowest level of turnover in the City market over the last 10 years has been four per cent of the total stock. The highest has been 10 per cent. Looking at the supply pipeline in relation to current enquiries for space, BHS argued that "if current enquiries were satisfied and then demand fell back to its lowest level for 10 years, there would still be no significant over-supply."

There are 26m sq.ft. of potential new office space in the pipelines of the City and London Docklands, Savills estimated. But given the present environment for property financing, it thinks that 20 per

Continued on page 8

CONTENTS

Editorial production: Michael Wiltshire

Investment Comparisons

■ NUMBER OF PURCHASES Year	1985	1986	1987	1988
London: City	16	12	20	8
London:West End	13	14	12	31
Rest of London	31	42	62	62
South-East	98	76	124	151
South-West	38	27	44	45
East Anglia	13	13	23	13
Midlands	35	37	46	38
The North	34	32	61	69
Scotland	17	24	32	25
Wales	8	14	8	14
Northern Ireland	1	1	1	1
TOTAL:all IPD	305	293	434	459
■ NUMBER OF SALES (WHOLE PROPERTIES)				
London: City	51	22	23	21
London:West End	35	43	53	44
Rest of London	62	86	120	109
South-East	54	86	146	151
South-West	27	34	56	69
East Anglia	8	9	29	18
Midlands	27	58	71	102
The North	60	70	87	155
Scotland	17	29	32	93
Wales	3	7	19	13
Northern Ireland	3	1	2	3
TOTAL: all IPD	347	446	640	787

Note: yearly totals include some properties in Eire, the Isle of Man and the Channel Islands. Source, Investment Property Databank, London

■ Pictured here: George Segal's sculpture, called "Rush Hour," at the Broadgate development, next to London's Liverpool Street Station. Broadgate is being developed by Rosehaugh Stanhope Developments and the British Rail Property Board. More than £1bn of non-recourse or limited-recourse finance has been raised for the project. *Picture by Trevor Humphries.*

INVESTMENT TRENDS

Influx of foreign funds

THE NOTION that the City of London is passing into foreign hands does not really stand up to close scrutiny. But the foreign presence in the investment market is becoming increasingly important.

Much of it has come from two sources. Over the last year there has been a steady increase in the amount of Japanese funds moving into the City market. At the same time there has been Scandinavian buying.

The factors behind this foreign interest are various. They start from the point that London is the main European financial centre and that therefore returns are likely to be steady and stable. They also embrace the perception that the UK is politically reliable and not prone to upheaval.

But the buying is also a response to internal factors. In Japan, the major life funds have a continual flow of cash which is looking for a home: property investment has been one outlet and it has spread across the Atlantic from the US where the Japanese have become market leaders in cities like New York and Los Angeles.

On the Scandinavian side, the impetus to investment has been the relaxation of foreign exchange controls that has allowed Swedish individuals, companies and funds a degree of flexibility.

London has not been the only destination of Scandinavian property investment: there has been considerable buying in other European centres. But, like the Japanese, Swedish investors especially have been attracted to London as the main European financial centre at a time when the European Community is lowering its internal trade barriers.

But the approach of the Japanese and the Scandinavians to the market has been different.

The Japanese, whether making investments down the development route, such as Kumagai Gumi or Ohbayashi, or buying existing buildings, like Asahi Life, Mitsui or Sumitomo Life, have been keen to buy properties in or near the core of the City. They have shown little interest in properties under £50m.

Indeed, there are those like Weatherall Green and Smith, chartered surveyors, who argue that Japanese buying is *the* market over £50m. At any rate, they are interested in the prestigious, in so-called "trophy buildings."

Scandinavian buying, on the other hand, has tended to be in smaller lot sizes for investment purposes, although, in the development sphere there are isolated large projects – that of Skanska and Windborne International at Thomas More Street, for example. Further, they have followed up higher yielding possibilities and this inevitably has pushed them towards the fringe.

There has been a steady increase in the amount of Japanese funds moving into the City market in the last 12 months

And there have been other foreign players in the market. Land Equity Group of Australia was going to buy One Threadneedle Street from Eagle Star Insurance for a whopping £82.5m, but failed to complete the deal. There has been US investment through the Prudential-Bache shareholding in Marketchief, the consortium, which bought Imry Merchant Developers and hence took control of developments like the Royal Mint.

The combination of this activity has been the most important single factor in holding yields firm at about 4.5 per cent in the City core and at just over six per cent in the outer areas. Chartered surveyors such as Richard Ellis, which have been handling some of the foreign investment, predict that yields will be maintained around this level.

In some respects, the foreign investment in the market has stepped into a gap left by the domestic institutions. Although there have been some notable domestic purchases in recent months – by, for example, the Universities Superannuation Scheme – the institutions have been coy about City property purchases.

Partly this has been because the larger insurance companies and pension funds – Norwich Union is a case in point – were already in the market when the latest wave of foreign buying came. This buying has been a deterrent to purchase and an incentive to sell.

There has also been the wider factor that the institutions have been cautious about building up their property investments in preference over others forms of investment. Major City purchases would further unbalance investment portfolios where the property component would have enlarged simply by virtue of the increase in values over the last three years.

This is not to imply that the property-owning domestic institutions have turned their back on the City. According to Investment Property Databank figures, half the capital value of institutional property portfolios is in London, and last year over half institutional capital spending on property was in London. The City has been an important element of the London spending. But there appears to be, with odd exceptions, an institutional view that enough is enough.

Such an approach is at odds with that adopted by the largest property investment companies, like Land Securities MEPC and Hammerson, which have continued a steady programme of investment through development.

The property industry had been hoping that domestic institutional spending in the City – and, indeed, elsewhere – would increase, partly as a means of mopping up bank finance used in speculative development. Dependence on a few large institutions would relax if new investment vehicles emerged allowing the purchase not of whole properties, but of portions of properties.

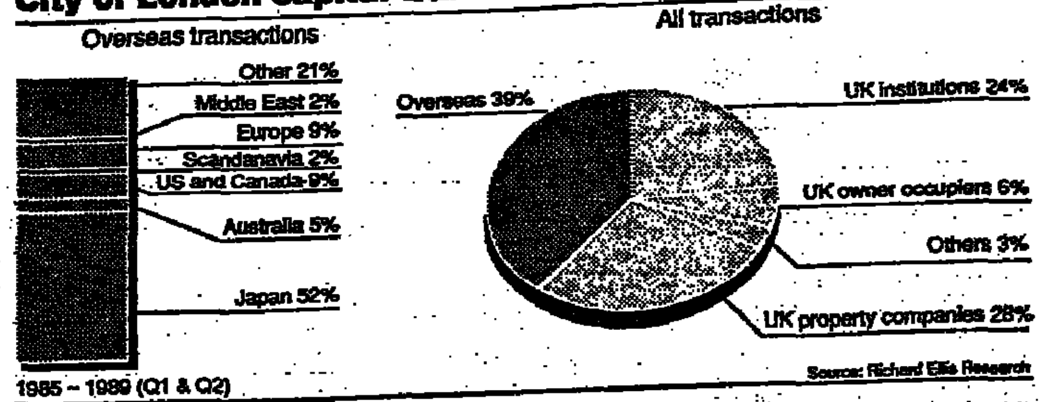
But the planned vehicles – simple property ownership trusts and property income certificates – were never brought to market. The one single asset property company issue is disappearing. Yet there has been no hint of grief: what the industry once wanted, it has now forgotten.

This change of heart has come about for two reasons. Firstly, the level of lettings has held up, which has meant that properties are easier to carry financially.

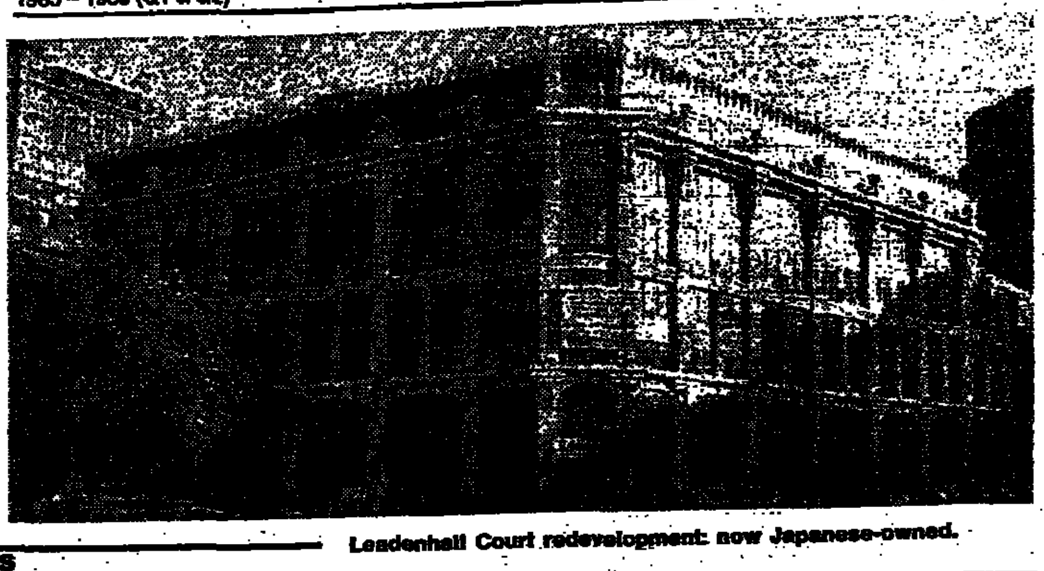
Secondly, the foreign buying has underpinned the City investment market.

There is a degree of confidence that this underpinning will remain in place. Although few would care to predict whether Scandinavian investment will be sustained, it is believed that the large Japanese life companies have arrived to stay.

City of London capital transactions: purchaser type



Source: Richard Ellis Research



Leadenhall Court redevelopment: now Japanese-owned.

PERFORMANCE COMPARISONS
Total return per annum (%)

	1981	1982	1983	1984	1985	1986	1987	1988	1980-88
London: City	15.7	8.2	8.2	9.7	11.7	17.8	39.8	24.7	16.6
London: West End	17.5	6.0	7.1	7.8	9.4	13.2	36.5	47.6	17.3
Rest of London	13.6	3.9	2.6	1.2	1.9	1.2	18.9	38.7	9.6
South-East	16.8	7.9	7.5	8.6	8.4	2.8	11.9	27.3	10.9
South-West	15.9	8.2	4.6	7.8	4.2	4.9	12.1	28.9	10.6
East Anglia	3.3	8.6	12.5	10.5	12.9	4.3	16.0	30.3	12.0
Midlands	15.4	7.8	6.3	6.4	4.1	3.3	14.6	27.2	10.4
The North	9.8	8.4	3.9	4.4	0	-2.5	17.9	32.0	8.8
Scotland	10.6	5.6	6.8	5.5	6.8	0.8	8.7	29.3	9.0
Wales	9.1	5.4	1.2	7.7	5.8	1.3	9.2	15.2	6.6
Northern Ireland	12.5	18.9	9.8	13.8	19.1	10.2	16.9	14.5	14.4
IPD offices	15.1	6.7	6.2	6.8	7.3	9.4	27.9	32.0	13.6

Source: Investment Property Databank

Property investment profile

Welcome returns

THE CLIMATE has been kind to the City property interests of Prudential Portfolio Managers. But its very success in obtaining higher returns than the institutional average from the City has created its own problems.

According to the Investment Property Databank, institutional property holdings in the City showed total returns in 1988 of 24.7 per cent and in 1987 of 39.8 per cent as rents drove higher and pushed up capital values.

Prudential with 47 properties in the City of which 25 are classified as "meaningful" has been in a good position, like other traditional landowners, to obtain financial benefit from the strong tenant demand and shortage of stock which has pushed up prices.

But this market performance has made more difficult a task that Prudential started three years ago. Then it decided that it would be advantageous to shift the balance of a property portfolio heavily weighted to offices in central London, principally the City. The rebalancing would mean a greater diversification of types of property and a wider spread geographically.

This did not mean that the Prudential would pull out of the City: that would have made little sense. On the contrary, hoardings around the City give ample evidence that the Prudential is a significant property developer in its own right, rather than a buyer of the completed buildings of others. But rebalancing the portfolio did mean that the Prudential would start to order its property affairs in a rather different way.

This concerns basically the way the Prudential exploits the property stock it already possesses. The giant share of the Prudential's City investment is through its £16bn life fund. Given its long involvement in property it was a long established owner of sites and buildings. It did not have to face the cost pressures of buying land in a rising market.

So, as Mr Christopher Edwards, senior executive at the Prudential, explained, the rebalancing of the property portfolio in the City involves three main elements:

- The sale of sites which the Prudential does not have the capacity to develop itself.
- More sharing of property developments: hence its 50-50 venture with Wates City of London Properties on London Wall, in the north of the City, where the two have adjoining properties.
- A readiness "to share as on-going investors some of the things we are creating: the share would not be in the creative process but in the ownership afterwards."

The biggest single investment the Prudential is making in the City market is Minster Court, three buildings of 105,000, 214,000 and 300,000 square feet, at Mincing Lane. This is followed by Gillett House, a 170,000 square feet development on Basinghall Street. Both developments should be completed next year.

These are, of course, bulky investments – Minster Court will probably be worth around £500m. It is, indeed, the sheer bulk of property investment which is a deterrent to some financial institutions, but by developments and sales Prudential hopes to break up at least some of the bulk.

For Prudential, Minster Court is a foretaste of the future. It provides a variety of different types of space – some suitable as a corporate headquarters, some suitable for financial houses with large open spaces, some mixed and some split into small office suites.

It is a reflection both of the changing needs in the City and of the variety of occupations which are encompassed in a district which has become an international financial centre. But the spread of different types of space also hedges questions about the nature of accommodation future office users will require.

It is the attempt to find answers to such questions that has lead the Prudential to build up its research capabilities "to capture far more of the demand side of the equation," as Mr Edwards put it. There is comprehensive data about what is coming on to the market, much less on who will arrive.

The Prudential's time horizon is about five years: after that research works shows diminishing returns. But, within certain unspecified criteria on internal rates of return, it is above all a long term player in the market, unlikely to stop activity simply because of short term ebbs and flows.

At a time when there is increasing concern about the possibility of over-supply in the City market, the Prudential remains cheerful and tends to follow the view publicised by Richard Ellis, chartered surveyors.

This argues that the peak of new office supply was reached in 1988 and that the space vacancy rate (now 8 per cent) will peak in 1990-91 at 11 per cent.

Paul Cheeseright

SUPPLY AND DEMAND

A diversity of views

"THERE remains an underlying optimism about the City office market's ability to ride the storm. The only major dispute is how long the storm will last. There is suspicion in some circles that the rough-going may last longer than many expect."

***

FEELINGS of *deja vu* are an occupational hazard for experienced property industry observers. The above quote fits today's market conditions like a glove, but actually comes from the 1983 Financial Times City property survey. It could just as easily have been used in the mid-1970s recession and will, no doubt be resurrected some time in the mid-90s as we slide yet again into one of those troughs which seem to be opening every seven years or so.

Anyone who has been through at least one property cycle tends to remain sanguine about the future, pulling in their belt a notch or two and waiting for the good times to roll again. The secret of survival lies in having enough notches to spare – and many leading City developers grew more than enough extra fat during the boom years.

But the stock market owes no loyalty to the past. Share values have suffered badly in the shadow of warnings about a potential massive over-supply of office space and poor rental growth.

Forecasts of "Armaggedon" would be easy to ignore if they came from the headless young chickens who rushed around after the stock market crash, hysterical at their first taste of recession.

But the weight of some hefty City analysts fuels the pessimists. Mr Chris Walls at Kleinwort Benson, who has ridden a few property cycles in his time, dismisses the idea put about by most estate agents that the City is heading for a soft landing.

Rents are heading downwards, rather than stabilising as vacancy rates look set to rise to 14 per cent by next year, he said in a market commentary, ealier this year.

That is well above the 11 per cent seen after the 1974 crash, when values slumped by 40 per cent. He found enough differences in the structure of the market and corporate funding since then to prevent a similar disaster, and pointed to most pressure falling on poorer-quality second-hand space.

But the caveats tended to be lost in headlines which tolled a death nell for the City. It would be surprising if estate agents whose livelihood depends on a flourishing trade in City buildings did not have a ready answer to this pessimism.

The time is gone when smooth salesmen brazen out slumps with a painted smile and a condescending "we know better" shrug of a pin-striped shoulder. That cuts no ice with investor-clients who demand straight answers nowadays.

The weight of some hefty City analysts fuels the pessimists

"Life will be a lot tougher," admits Rodney Petty of Weatherall Green & Smith. "Everyone will have to work harder to find tenants and rents could eventually fall. But I'm not filled with gloom."

Figures showing a massive supply of space coming on-stream around 1992 are deceptive, as many schemes will be adjusted or postponed in response to market conditions, he says. And he is confident that hidden demand for will soak up much of the remainder, although landlords may have to look harder at letting incentives and multiple tenancies.

Derek Hammond, whose Project Management International is looking after some £3bn worth of office development in the City, has already noticed some changes as the market softens. Financial contributions to tenants rose from £20 to £45 a sq ft over the last couple of years as occupiers pre-leased early at the shell-and-core stage and fitted out buildings themselves.

Now that trend is reversing. One area of agreement between Walls and the bulls is that greatest pressure will fall on older space as choice for tenants improves – although "old" can mean buildings put up as recently as five years ago.

This shows the great danger of lumping all City space together to make broad generalisations. Even within a such a small geographical area there are different markets between new and old, large and small buildings, good and bad locations.

"I see no evidence of a City-wide over-supply," says Michael Carragher, head of Hillier Parker's central London research team. "But there will be pockets of considerable supply and areas of shortage."

The EC1 and EC4 (western) postal districts, for instance, will continue to be under-supplied into the 1990s.

Rental growth (or decline) will therefore vary across the City. But whatever the fate of its constituent parts, the City and its builders will be judged as a whole by the stock market.

This why interpretations of wide-ranging supply and demand statistics are so crucial. Interpretation is the key word, since these bare statistics seem to mutate according to who is making the observations.

Mr Walls quoted completions calculated by Applied Property Research of more than 16.5m sq ft of new space by 1991. Set against this, he warned it would be "dangerous" to assume that take-up levels of more than 6m sq ft a year set in the run-up to the Big Bang, would continue.

Between 1982 and 1984, Debenham Tewson & Chinnocks was recording a far more modest 2.6m to 4.3m sq ft a year. A return to this "norm" would leave the City awash.

But there are some willing to court this danger. Analysts at Richard Ellis have actually increased their take-up forecasts for 1989 and 1990 after detecting a current upsurge in demand and anticipating a number of major deals as professional and financial occupiers seek better or bigger premises.

"Recent reports on the demise of the City property market may be over-exaggerated," suggests the latest Richard Ellis bulletin. Take-up doubled to 1.2m sq ft in the second quarter of this year – which is pretty much Big Bang levels.

Significantly, no building of more than 100,000 sq ft was involved, showing a flourishing demand separate from the big professional groups often seen as the potential saviours of the City.

But almost 900,000 sq ft in major units was under offer by the end of June, promising further high take-up figures as deals are signed and leading Ellis to raise estimates of take-up to between 4.5m and 5m sq ft this year – close to the record 5.2m sq ft it recorded for 1988.

After that the "soft" landing projected for the economy promises a 4m sq ft take-up in 1990, which is still higher than early-1980s levels.

Agents believe they have a more accurate picture of potential demand than City analysts like Mr Wall because they pick up inquiries for office space long before they become public.

Mr Carragher points out that queries to Hillier Parker have drifted upwards over the last 12 months to around 9.5m sq ft. Many companies are bursting at the seams but holding back from new space until rents soften, says David Todd at Edward Erdman.

His growing order list from potential tenants indicates that take-up will bounce higher over the the next couple of years.

"It is not anticipated that this increase will wipe up all the projected new supply, but neither will there be a huge imbalance of supply and demand," says Mr Todd.

Meanwhile, the tide of impending new supply is shifting visibly, according to Richard Ellis. Supply peaked at 11m sq ft in 1988 and the amount of available space should slip this year to 9.5m sq ft as take-up strengthens.

New development completions will top out a year later than expected, at the end of 1991, because of postponements. By this time, Ellis predicts an 11 per cent vacancy rate, after which both supply and vacancies will drop away as economic prospects improve.

The increasing overhang of second-hand space will produce a two-tier market, with any rental growth over the next couple of years concentrated on the best buildings. But top values are still expected to stay within the £66 to £70 range until the end of 1991.

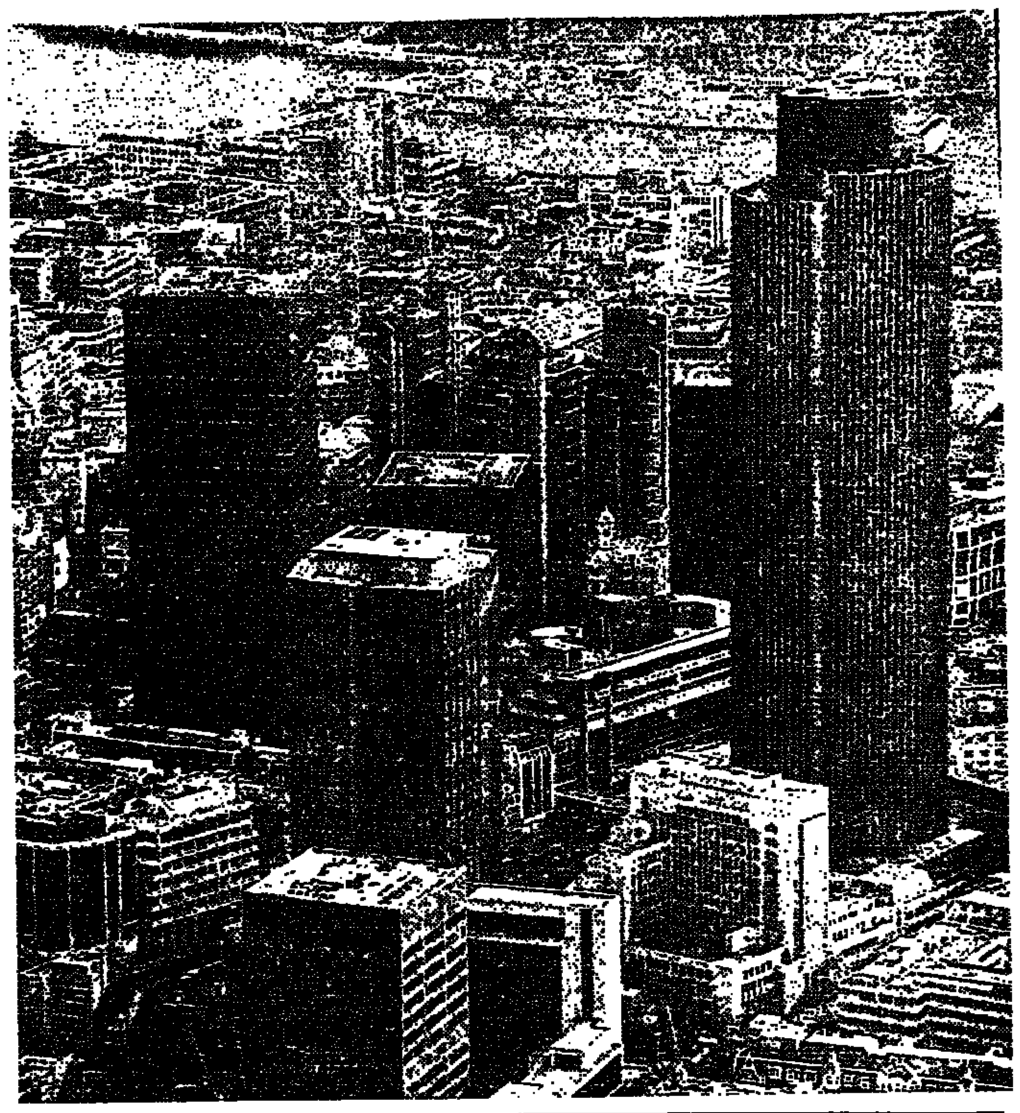
David Lawson

OFFICE SPACE AVAILABLE
Space let and available in the City and City fringe (in square feet)

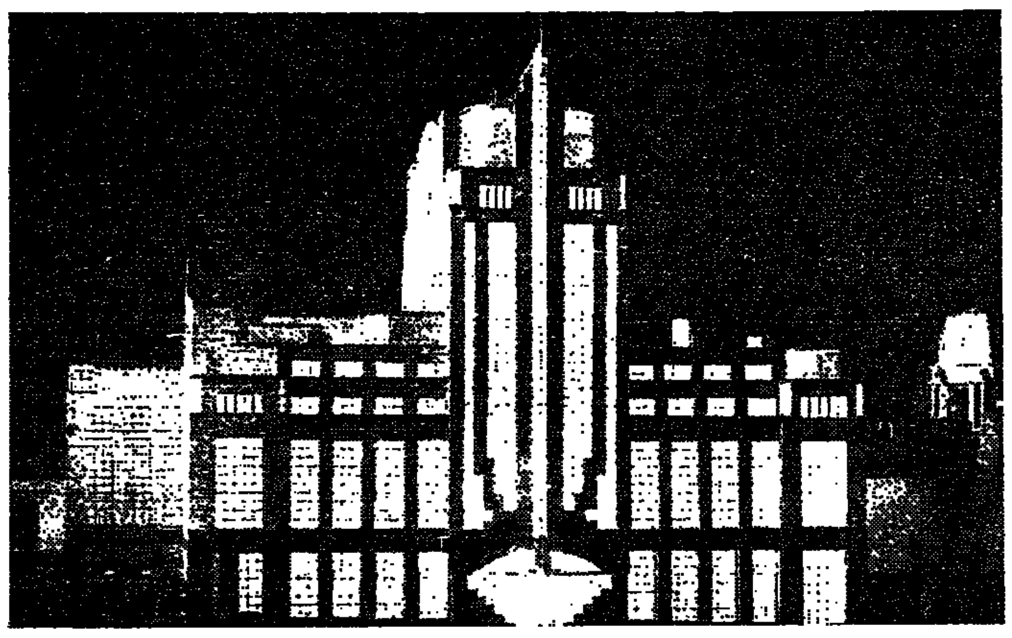
	Feb-July '89*	February 1989	March	April	May	June	July
City space let	280,425	285,253	222,601	245,994	324,208	274,436	330,055
City space available	5,627,182	4,662,777	5,324,348	5,749,002	5,933,380	5,847,603	6,245,984
City fringe space let	537,579	489,381	475,575	451,406	331,143	968,923	509,046
City fringe space available	6,871,993	6,442,427	6,552,708	6,646,883	7,081,170	7,194,184	7,312,589

*Monthly average

Source: Richard Saunders & Partners



■ View over the City, showing the Natwest Tower. Figures indicate a massive supply of new space coming on-stream in 1992, but many of these planned projects could be adjusted or postponed to suit market conditions.
Picture by Alan Harper.



Landmark scheme

PICTURED, left, is a model of One America Square, a 208,000 sq.ft office development being built by London's Fenchurch Street Station. The project, due for completion next summer, is a joint venture by Central and City and SC Properties (UK), a wholly-owned subsidiary of Shimizu Corporation, one of Japan's leading construction companies. The project, over 200 feet high, will have 15 office floors ranging from 7,500 sq.ft to 32,000 sq.ft., and has been designed for multi-letting. It is being built on a 1.1-acre site and will be partly constructed over the station and the adjoining railway viaduct. There will be a new public square on the north-east corner of the site.

Conservation, re-building and "preserving the human scale"

Tough task for planners

IF YOU set out to plan an international commercial centre capable of holdings its own alongside Tokyo and New York, you would hardly consider doing so within the confines of a medieval walled city. Yet that was the task that the City Corporation took on when it threw away its first, overtly conservationist draft plan, just over three years ago.

Within a decade, the City proposed to renew its commercial accommodation, adding a third more space to the 60m sq.ft of offices packed into its single square mile.

The subsequent convocation of cranes and builders' trucks, the box steel girder skylines and the sudden, surprising "film-set" vacuums which appear behind familiar facades have become so much a part of the scene. Yet before the ten-year plan is half-way through, the main elements of it have been either achieved, or are on their way.

Even discounting the upgrading or complete renewal of existing space, over 13m sq.ft. of offices have already been added to the City's stock and half as much again has won planning consent and awaits developers' judgement of likely demand.

That would be impressive enough on a greenfield site. To have been achieved this within the confines of the City, a full third of which is designated as conservation areas, and without having to capture more of the skyline, begs the question "why?"

Why risk the wrath of the preservationists, why even attempt to shake such a tight crushed mixture of gentile elderly and out-dated modern buildings into line with the international standard properties of Manhattan or Marunouchi?

As the City's chief planner, Mr Peter Rees is best placed to answer that. He explains: "It was much too big a gamble to allow the financial centre of London to disperse. We had to keep the core of the financial community healthy and preserve the gossip-network of people meeting and talking in restaurants, and wine bars, and pubs. The alternative approach of *moving the new* offices down the road to Docklands would have risked all that.

"It takes a long time to establish these networks; even in Battery Park there is not the contact between people that you find across the road in Wall Street and outside Paris, La Defence is a non-starter."

Traffic-clogged streets remain a great problem

Mr Rees points out the buildings' size can have as much impact on informal communications within a financial community as the critical mass of different businesses within an established location — "where you stack up a quantity floorspace vertically, and you house everyone from one or a number of companies in a single building, people only tend to meet others from within the same company or their immediate neighbours.

"There is a different scale, and a different approach in London," he says. "Because of the size of buildings and the environment, there is still a tendency for people to like to have their own front door, and to use it more. London is nowhere near as aggressive a place to walk around as Downtown New York, so there is that much more chance of bumping into people and talking."

Preserving this human scale while clearing the way for a radical upgrade of the commercial accommodation has led Rees to towards a "not unplanned, but more organic" *approach to development* schemes. It was the rigid planning strategies of the 1960s and 1970s that resulted in buildings so specifically aimed to fit the needs of their time so exactly that they now no longer work.

Dogmatic planning, "cheap and cheerful" development schemes mass-produced by compliant architects and broadly welcomed by a public keen to see modern Britain emerge from the crumbly post-war years, resulted in the loss of the flexibility that characterised earlier, Edwardian and Victorian office blocks.

There, as Mr Rees says, "the architecture as such was largely on the front, the building's statement was made in that way and the building behind was just meant to be practical working space."

In practice, the once-landed but now universally unloved buildings of the 1960s and 1970s have provided the developers and planners with the City sites that could be cleared in the first round of redevelopment. Re-building behind retained facades has offered another way of regenerating without destroying the City's character. So, too, has the winning of new sites above rail lines, as at the Broadgate scheme by Liverpool Station.

But will the City buildings of the 1980s win the applause of occupiers and passers-by in ten or 20 years' time? It is said that anyone who uses a crystal ball has to be prepared to eat ground glass. And with commercial space needs and architectural fashions alike, change comes with sufficient speed and unpredictability to defy forecast.

Nevertheless, Mr Rees hopes that the mix of buildings *emerging in this round of* development activity, and the flatter so-called "ground scapes" which have the internal height and the flexibility of floorspace to accommodate a broad range of changing uses, will have far greater staying-power than the rigid slab-blocks of 20 years ago.

As for their visual appeal, the jury will be out for quite a time. Speaking personally, Peter Rees thinks it is essential to have a range of architectural styles, and he echoes the annoyance expressed by planners across the country at the supression of originality that comes from schemes for "me too" buildings. They are proposed by developers following the lead of an original design that wins a building consent. Knowing that it is an acceptable shape, they have architectural clones run-off for their own site. It is a triumph of mediocrity over imagination that could well damn a number of the new City blocks in future.

Like or loath the new-look buildings, at least the revised plan itself has allowed for information age accommodation without destroying the existing fabric of the City. And Mr Rees now believes that it is no longer the risk of an outdated City but of a traffic-logged capital that poses the greatest threat to London's position as an international marketplace.

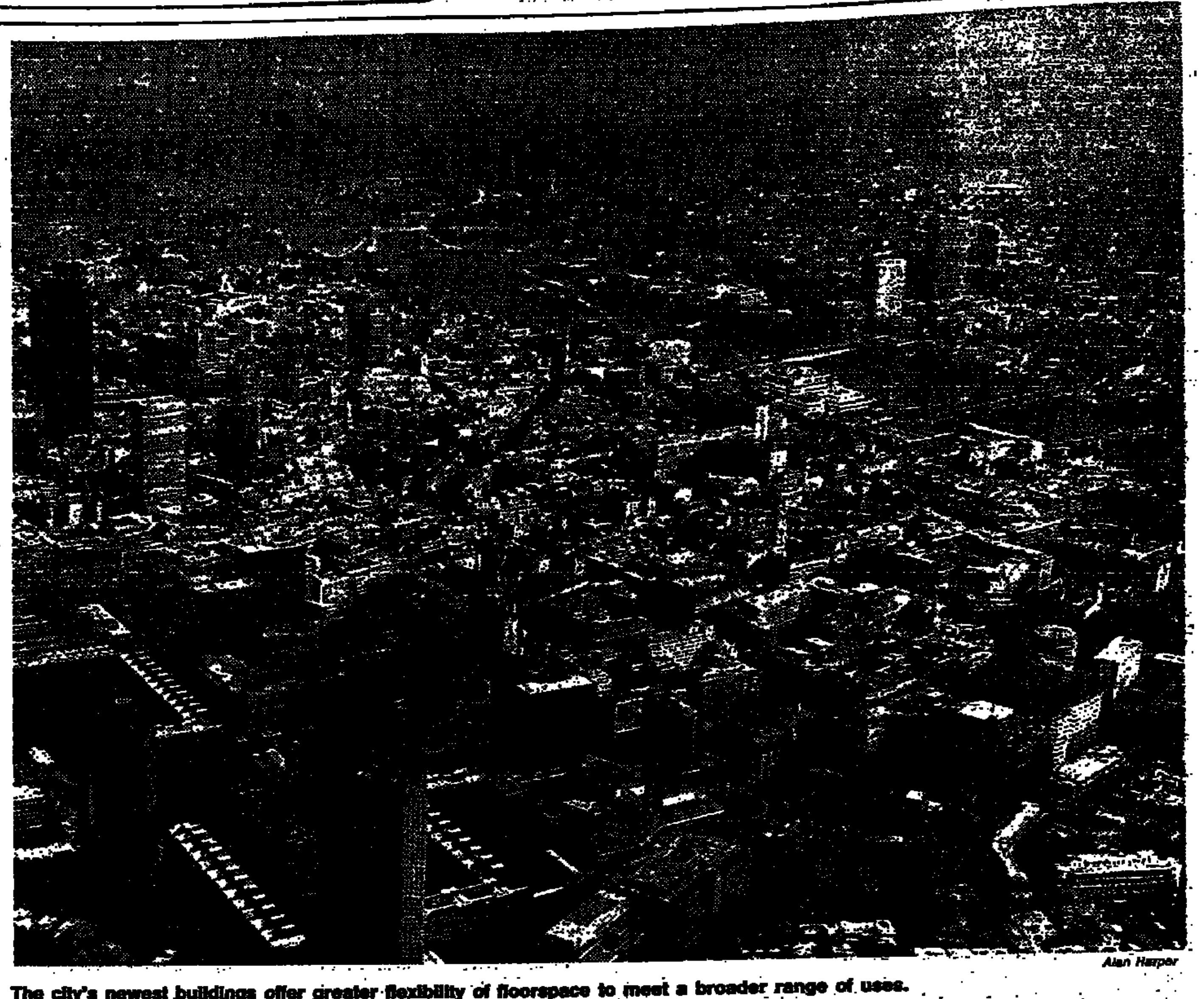
Additional crowds of City workers heading for the extra office space, and the construction work involved in creating it, provide many London taxi cab theorists' with a favoured explanation for the capital's current traffic crisis. Not so, says Peter Rees. For one thing, because of the development work, there is actually rather less office space in daily use in the City than at the end of the 1970s.

On the other hand, those lower tides of weekday workers in and out of the City have turned into cross-waves of people travelling from east to west, from north to south, from unmoved homes to relocated offices. As he says, "a radial flow of office workers into a central business district is a very effective way to managing travel. It is the movement back and forth across London that presents a bigger transport problem."

Not that he thinks an implosion of corporate exiles from the City back into the centre would, of itself, resolve that problem — "it is impossible," he says,"to solve the congestion without a massive investment in public transport.

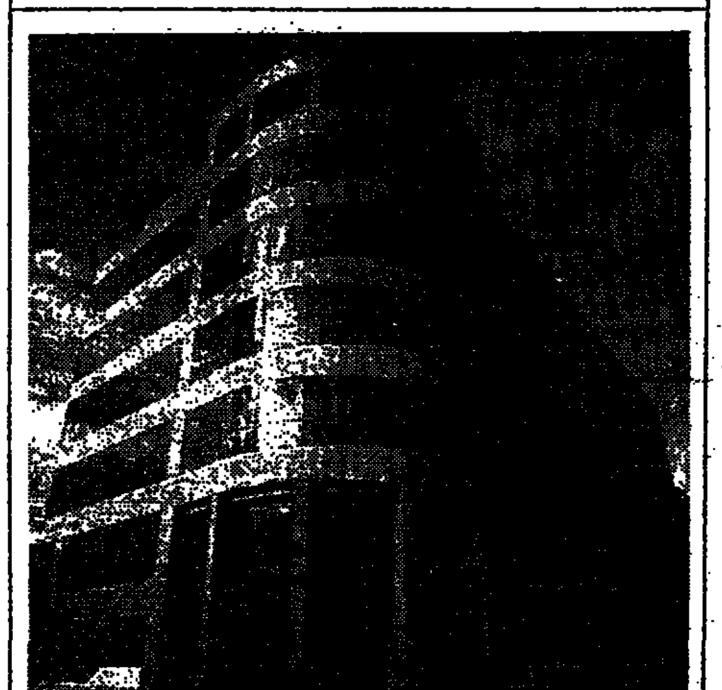
"If one thing 'kills' London and gives Paris the lead as a financial centre, it will be transportation."

John Brennan



Alan Harper

The city's newest buildings offer greater flexibility of floorspace to meet a broader range of uses.



Warwick Balfour's $20m development in Leman Street, on the eastern City fringe: see profile on facing page.

■ PROFILE of a property developer on the City fringes: WARWICK BALFOUR

'Timing was our biggest strength'

INSTINCT and empathy were once the stock-in-trade of top property developers. They relied heavily on "feel" for what to build by putting themselves in the shoes of potential tenants. Specifications were as likely to be on the back of an envelope as packed into fat folders of market research and financial analysis.

Instinct is less bankable today. Giant companies running the gauntlet of computerised City analysts and suspicious shareholders need a lot more evidence than envelope scribbles. But guts and flair still flourish among many smaller fish swimming outside the main stream. Warwick Balfour is among the "tiddlers" which have grown fat by trusting instinct to provide the right buildings in the right place.

To some mainstreamers they were the "wrong" buildings in some very suspicious places: too small when everyone was thinking big, too expensive to justify at local rent levels, and too remote from established office locations. But founder-director Richard Balfour-Lynn was happy to bet his instincts against conventional wisdom, and a £200m-plus portfolio plus some record rents achieved in former backwaters of Smithfield and Victoria have proved him right so far.

These gut feelings played a major role in each stage of the company's short history since it was set up with a mere £5,000 in 1982. Balfour-Lynn, a London Business School graduate, had no property experience, cutting his business teeth creating medical and engineering companies. But he saw a *niche* market for residential development in the West End and followed his instinct to spare no expense on quality rather than maximising margins.

This paid off with energetic sales and big returns for private investors, who kept coming back for more – and pulling in friends and colleagues to swell the company's potential backing. It also provided the bedrock for a move into commercial property development four years later.

Citibank had become a committed investor for private clients, but only after checking out the company and getting glowing references from people who had already bought flats. With this sort of reputation, Balfour-Lynn was able to set up equity backing of more than £6m when he decided on the switch into office development, again following a gut feeling that the residential market would become overblown.

"Timing was our biggest strength," he says. "We got in and out at the right moment."

He plumped for the City fringes through a mixture of instinct and financial acumen. Even if Warwick Balfour had been big enough to compete with the public developers creating giant office blocks, Balfour-Lynn would not have joined the party, judging the "big-is-beautiful" trend as a passing phase unsuitable for a company seeking long-term investments. Instead, he targetted the demand from smaller businesses, either spinning out of the City or expanding under their own steam.

> "Potential tenants are taking longer to make decisions and seek better terms."

Smithfield/Clerkenwell, with its ease of access, mixed uses and good restaurants, came out high on the list of places where he would like to have offices, so he figured that others would feel the same.

Victoria and City Road were also good bets, while King's Cross "had too many dark areas" and docklands was just too big a building site. Other developers had already made similar assumptions, but Balfour-Lynn felt they had made some important mistakes.

Lower rents had encouraged many to build down to levels they felt could be justified by potential returns. Many buildings were also multi-tenanted. Balfour-Lynn felt his instincts about the residential market would hold good, and decided to spare no expense in creating a high-quality buildings – preferably as self-contained headquarters.

The logic was that demand had been stultified because companies faced a choice of high-quality individual buildings a long way from the City centre or cramming into more accessible multi-tenanted space. They would pay well above accepted rent levels for their own prestige buildings.

"Britain is a nation of home-owners," he says. "In the same way, we like to have our own business front door, rather than sharing with others."

Doubters wondered at the price he paid for Warwick House in Cowcross Street behind Smithfield meat markets, particularly when he spent so freely on the 7,000 sq ft conversion.

"But I figured that if the market went well, we would recoup the cost and if it was slow the quality would be an advantage in attracting tenants." In fact, he had no problem achieving a record rent of £17 a sq ft.

Another half-dozen Smithfield schemes are lined up to continue this campaign of exploiting a niche market for 10,000 to 50,000 sq ft high-quality office blocks in areas around the City fringes, or "secondary growth areas" as he prefers to call them.

Some will be absorbed into the company's portfolio, others sold to institutions. As Balfour-Lynn points out, this is the first real opportunity for institutional investors to buy property up to their standards in some of these fringe areas. Investors are now becoming more aware of growth potential, so yields are hardening. This is illustrated by the £47 a sq ft paid in Warwick Balfour's Artillery Row scheme in Victoria, originally costed at £18.

"I was offered a £1m profit on the site just after taking it over and the bank told me to take it," says Balfour-Lynn. But he followed his instinct and hung on.

This instinct tells him that even with a softening property market there is still potential in fringe locations. Media-related groups are moving strongly into Smithfield and he expects rent levels to hit £40 – although pre-letting is now a thing of the past.

One of the company's biggest projects is a £20m block in Leman Street, on the eastern City fringe, where demand is expected to be much more muted in future. But Balfour-Lynn feels he has a powerful selling point in both the high quality of the block and the total occupation costs of £50 a sq ft – half those in developments 400 yards down the road in the City.

David Lawson

New developments in fringe areas

The market widens

TRADITION dictates that when the City sneezes, the so-called fringe locations catch pneumonia. The pattern is no different from the world on a wider scale, where prosperous core regions suffer recession less severly than provinces.

The problem in testing this theory lies in pinning down these elusive "fringes" to take their temperature. They were clear enough during the boom, when developers swarmed out of the City core to plan a picket line of huge buildings around areas like Liverpool Street Station and Fleet Street because there was no room left in the centre to meet demand. But this tide of activity transformed some fringes into prime areas and drew even more of central London into an amorphous grey area of City-related markets.

"No-one talks about the Square Mile any more," says Simon Ward of Jones Lang Wootton. "The City is probably twice as big as it used to be."

The massive Broadgate complex, so long a barometer of fringe rents, is now considered central by financial concerns which have drifted out as far as the Angel in the north and across the river in the south. Holborn is now a prime location for rapidly expanding legal and accountancy groups as well as banks, and the market there is as tight as a drum.

> "No-one merely talks about the 'Square Mile' anymore"

"The tide used to go out both ways to the West End and City," says David Todd of Edward Erdman. "Now it comes in from both directions."

But while the water level may remain high in this peninsula of booming demand and short supply, it has begun to look shallow around other fringes.

Richard Ellis points out that vacancy rates are hitting 11 per cent compared with 4.5 per cent in the City core, and things are likely to get worse with speculative schemes proving harder and harder to finance.

The two most easily definable fringes – along the east and south of the City - are also the weakest in terms of potential rental growth. The strip dividing the core from Docklands has probably seen its best days for a while following a surge in rents to between £35 and £40 a sq ft.

Chris Sutcliffe at Sinclair Goldsmith is one of the few agents to feel there is more to come. He professes a deal in his pocket at £43.50 a sq ft and the potential impact of a single occupier understood to have reserved Roy Properties' 60,000 sq ft Aliffe House.

Others, however, believe success will be limited to the best buildings, and letting incentives will increase as the market adjusts to some over-ambitious expectations. A similar thing may be happening on the south bank following deals by the Financial Times and Lloyds Bank for Regalian's two office blocks at the end of Southwark Bridge. This may have raised unrealistic hopes that less-impressive locations away from the river can claim top rents of around £40 a sq ft.

The biggest uncertainty is the impact the second phase of London Bridge City could have in this market. Assuming that developer, St Martins, comes out relatively unscathed from the public inquiry, it will boast a prestige location opposite the Tower of London. But some very big fish will need to be hooked to fill the 1m sq ft of space.

That may not be as much of a problem as it first seems. Simon Ward points out that JLW knows of more than 50 occupiers still seeking buildings of 100,000 sq ft and more around the City and fringes.

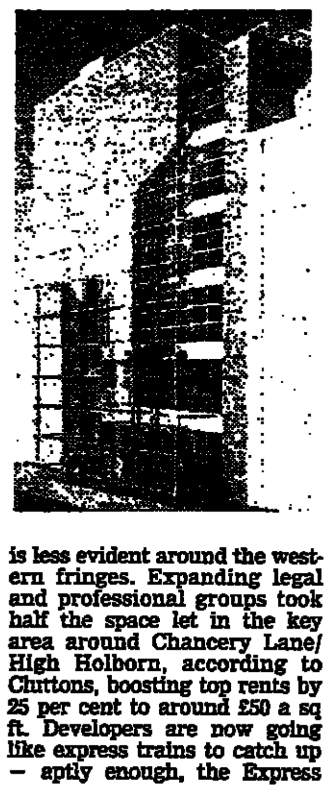
"Underlying demand has not changed over the last 18 months," he insists. "But with extra supply available, potential tenants are taking longer to make decisions and negotiate better terms."

This "wait and see" attitude

■ **Above: progress being made on NFC's "City Forum" – the main contractor is Hunting Gate Construction.**

■ **Above, right: David Todd of Edward Erdman: "The tide is changing."**

■ **Below: a £15m office development in Mansell Street, due for completion by Margaretta next summer.**



is less evident around the western fringes. Expanding legal and professional groups took half the space let in the key area around Chancery Lane/High Holborn, according to Cluttons, boosting top rents by 25 per cent to around £50 a sq ft. Developers are now going like express trains to catch up – aptly enough, the Express building is set to provide another 300,000 sq ft of space, marking the exodus of the newspaper industry from Fleet Street.

The former Daily Mail building could make way for the same amount and Holborn Viaduct station is being worked up to hold some 600,000 sq ft. Beyond that, Robert Maxwell still holds the possibility of an even bigger redevelopment of the Mirror complex.

This degree of activity could eventually reverse the balance in favour of occupiers, particularly as Allsops calculate that more than 5m sq ft of new offices is in the pipeline throughout a wider fringe zone stretching from Bloomsbury southwards to the river.

But that adjustment is likely to come later than elsewhere. Demand is backing up as this mid-town zone feeds off tenants spun out by over-heating in the West End, over-pricing in the City core and over-powering growth in the professional sector. Much of the planned space will take several years to feed through, so buildings now approaching completion should benefit by further rent hikes before any softening sets in.

Growth in values means Holborn is now experiencing its own spin-off into cheaper areas like Clerkenwell and Smithfield, which are already picking up City and West End emigrants. Some are even trekking as far north as City Road, now qualifying as the new northern fringe.

Some developers will be disappointed, however, after jumping in with ideas of achieving £40 to £50 a sq ft in fairly secondary locations. Even the 140,000 sq ft pre-leased by brokers Smith New Court, next to Farringdon Station, is unlikely to have reached this initial value, particularly once letting incentives are taken into account.

But developments just coming to fruition, such as Priest Marians' nearby 80,000 sq ft Herbal Hill scheme, are likely to be priced around the £40 mark – some £2.50 a sq ft higher than current rents south of Clerkenwell Road, according to Mr Ward. This is mainly because of the steady stream of companies looking for top-quality freeholds or reasonable rents on medium-sized blocks. Herbal Hill has been split into five buildings to target this market.

Values fall away by anything up to £5 a sq ft north of Clerkenwell Road, but developers are still betting that enough companies will drift outwards to fill new space. Ian Hamilton of Hillier Parker points to the dearth of high-specification offices for City support services such as computer companies. He expects them to pay around £30 a sq ft for buildings like the 19,000 sq ft air-conditioned headquarters London Merchant Securities is putting up as part of its comprehensive redevelopment campaign centred around the Angel.

> "Potenial tenants are taking longer to make decisions and seek better terms."

One of the most interesting developments to watch, however, will be a business park being created by Hunting Gate Construction for NFC Properties on a former BRS lorry depot, further along City Road.

Units run from 5,000 to 40,000 sq ft and rents are likely to be closer to £25 a sq ft. This type of flexible-use space fits more comfortably into the character of the new city fringes.

If it proves popular – and there are signs that Hillier Parker has already netted a couple of tenants – business "villages," rather than giant office blocks, could mark the new high-water mark for the City.

David Lawson

In the Barbican, many private apartments and houses have now become company-owned. Trevor Humphries

Scarcity of residential property in the City

Limited sales activity

FILM CREWS love City Sundays. The 350,000 people who cram into work every weekday have then commuted away from busy streets, leaving only the tourists, the builders, and that small proportion of the 6,000 permanent residents whose City homes are not weekday retreats from the trains and tubes.

There would have been no such freedom to set up the cameras and occupy the streets a century ago when more than 100,000 people lived and worked inside the line of the old City walls. Victorian and Edwardian commercial developers progressively absorbed the housing and by the beginning of the century the full-time population was down to just 30,000.

Wartime bombing and subsequent waves of office development pressed most of the remaining residents beyond the City borders.

By 1971 there were no more than 4,200 full-time City dwellers — and many of those were not "residents" in the classic sense, being nursing staff staying in St Bartholomews' Hospital's hostels, or caretaking and security staff occupying tied apartments.

Apart from the 2,014 flats and houses in the City Corporation's Barbican development, there have been only marginal additions to the City's housing stock this century. Office values crowd out housing schemes on commercial grounds, and the City imposes few of the housing-only restrictions common in less business-orientated local authorities.

Because it is so unashamedly a weekday business district, homes in the City do not have the metropolitan *chic*, or the accompanying values, of apartments in central Manhattan. Indeed, on a foot for foot basis, City apartments are substantially cheaper than their West End equivalents.

Current prices of £76,000 for a large studio flat in the Barbican and £275,000 for a full-scale four-bedroom flat with a 33rd floor view at the top of the Barbican's Cromwell Tower appear as comparative bargains set against their high cost, short leasehold equivalents in Kensington or Chelsea. But, as Rachel Lund of the Barbican Estate Office concedes, living north of London Wall is not quite the same thing as living within a stroll of Sloane Square and so, "people either love or hate the Barbican."

Residents taking advantage of the Right-to-Buy legislation did give this concrete city a broad mix of owner-occupiers when the City Corporation started to offer 125 year leases on the flats in 1981.

Since then, as Barbican manager David Ansley confirms, weekday business-users have been bidding-out the residents and, "there has been a considerable shift in the mix of owners; the majority have become company-owned."

Most of the other residential enclaves in the City along the Thames, in the Queen's Way block where two bedroom flats sell in the £220,000 to £260,000 range, or in the recently completed, and significantly grander Seiffert-designed studio flats in this scheme, facing the Thames below St Paul's Cathedral, were priced up from £285,000. A four-bed duplex penthouses there would leave no change from £1.5m.

Apart from a number of apartments over offices, and the few surviving examples of Edwardian or Victorian gentlemen's apartment buildings on the City's western border, close to the Inns of Court, the City provides little scope for home-hunters.

The most significant recent addition to the City's *pied a terre* community was the 126 apartments which arrived on the market when Regalian Properties bought, and elegantly refurbished the 1930s serviced-apartments facing Charterhouse Square, since re-named Florin Court.

Studio flats in 125-year leases there now re-sell from around the £80,000 mark, prices that hardly have been dented by the chill wind blowing through the rest of the central London housing market.

The scarcity of homes in the City does insulate them from the extremes of price movements in the market, nationally. Residential properties in the City did not share in the spectacular price rises recorded in the West End or in Docklands in the mid-1980s, neither have prices been marked down as sharply in the sluggish market since then.

Not that the City's housing market has been unaffected by the downturn. Prices may seem to have held well, but there has been very little sales activity to test the theory. The number of company-owned properties means that few City flats or houses risk falling on to the "must sell" category and, with few buyers around, prospective vendors have simply deferred sales.

John Brennan

Retail and restaurant premises

Enthusiasm declines

THE CITY, with its five-day trading week and work-orientated environment, is not popular with retailers at the moment. And those who are tempted to set up shop in the City may find themselves carefully vetted by developers and summarily rejected if they do not match the desired profile.

Despite the Burton Group recently paying a record breaking £180 per sq ft "Zone A" rent in Cheapside recently, the City retail market is far from booming. The dearth of retail premises and the attitude of City landlords towards retailers have made it tough for many retailers to find suitable City premises.

According to commercial estate agents, Richard Ellis, retailers are rapidly losing their enthusiasm for the City.

"A year ago, everyone wanted to be in the City and the market was very healthy. Now the retail market in the City is poor," says Emma Thacker of Richard Ellis.

The credit squeeze and falling City salaries are only partly responsible. City developers are primarily in the business of providing the latest in prime office design. Although they see a small amount of the right sort of retail as an extra facility to offer incoming office tenants, they would rather have no retail at all than something which could tarnish the image of a new office scheme.

"The City developer's worst nightmares are, perhaps, sandwich bars and pubs," admits one developer. "The argument is that sandwich bars often create litter and queues and that pubs will attract crowds which are likely to congregate on the pavement. But the real reason is plain old-fashioned snobbery.

Many retailers find it hard to find suitable City premises

"Having created an exclusive international standard office block, the developers believe that tenants would rather not have to come face-to-face with crowds at pavement level."

But since dealers the world over are famous for grabbing a sandwich at their desks in preference to a time-squandering visit to a restaurant, some tenants would actually prefer to have a sandwich bar close by. A few developers have compromised by allowing only outrageously expensive "upmarket" sandwich bars in their schemes.

The developers' view of pubs is shared by the City authorities who are often happy to grant wine bar licenses where they would refuse a full pub license. Any landlord willing to rent space to an ordinary sandwich bar would soon have a queue at his door, according to Mr Chris Besant of commercial estate agents, Jones Lang Wootton — "every day of the year we have a call from someone wanting space for a City sandwich bar."

Emma Thacker at Richard Ellis agrees: "The highest rents of mostly paid by sandwich bars."

Restaurants are more welcome, provided they can convince the landlords of their credentials —"in the case of restaurants, landlords require a good covenant," says Emma Tucker. Restaurant rents in the City are roughly £25 per sq ft on average, although £30 per sq ft has been achieved in Broadgate.

Often restaurateurs and wine bar owners must make do with basement space which would be unsuitable for office premises. The point is that developers only want retailers who they feel will enhance their schemes since the income from the retail element is tiny compared to that paid by the office tenants.

"Keeping the retailers 'hidden' can be a bit of a battle. The offices come first," says Chris Besant. Even so, the right kind of retail outlets can lend character to an area. Broadgate is an example of the way this philosophy works in practice.

According to the developers, Rosehaugh Stanhope, "nothing fosters the sense of community as warmly as a shopping focus."

Eventually, Broadgate will provide 90,000 sq ft of retail concentrated in four main arcades. The retail space which has so far been created has been very carefully marketed. An appraisal on the preferences of office tenants resulted in a carefully selected group of tenants, including a bookshop in Broadgate Circle and a Champagne bar in Broadgate Arena.

It is revealing that the shop units in Broadgate Arena do not pay zoned rents. Instead of paying a "Zone A" rent for their frontage space — they simply pay an overall rent of about £30 per sq ft. The reason is that the retail units are so unobtrusive that they are virtually hidden from site and do not have a frontage, as such.

The developers have the added safeguard of restrictive leases which place strict controls on assignment; no-one wants a retailer who has passed the careful vetting process suddenly to assign his lease to sandwich bar. Landlords' break-clauses mean that any tenant whose activities displease the landlord could be asked to leave well before his or her lease expires.

For those retailers who are prepared to play by the City developers' rules, there is a limited amount of new space coming onto the market in the form of relatively modest developments. However, plans to redevelop the Spitalfields market site, which are currently before the City Corporation, include provision for 200,000 sq ft of retail space.

The scheme is to be carried out by a consortium called the Spitalfields Development Group which includes London & Edinburgh Trust, Balfour Beatty and County & District Properties.

If the scheme is approved, then retailers could have a major focus for the City catchment area.

Tony Glover

Forecast of a tough three or four years ahead, but . . .

Optimism over market's longer-term prospects

■ *PROFILE: MEPC, the property investment and development group*

MEPC, the property investment and development group, predicts "a hard few years" for the City of London office market but believes *that, in the long-term, the City* will prove to be a good location for well-managed modern office developments.

"The City is – and will continue to be – the financial centre of Europe," says MEPC managing director, Mr James Tuckey, "but there will be a tough three or four years for the City as the office supply grows and rents go sideways instead of up."

He is adamant, however, that there is little chance of the City becoming a ghost town as companies relocate to less expensive locations – "MEPC does not subscribe to the idea that you can conduct a securities business down a telephone."

He adds that, in any case,

"The City is – and will continue to be – the financial centre of Europe"

City rents are now "low" when compared with those achieved in the West End – "people like Salomon Brothers who left the City to cut costs may now want to start thinking about coming back."

In the short-term, the gap between City and West End rents is likely to widen – "in the West End, the vacancy rate for office space is about 2 per cent. In the City, it is 9 to 10 per cent and rising."

But despite the fact that there is no immediate likelihood of the City making a comeback as London's prime office location, MEPC is happy with its current City development programme.

"When City rents jumped from £30 to £60 per sq ft, following Big Bang, we didn't immediately rush out and buy City sites," says Mr Tuckey.

The scale of MEPC's current City development programme is a result of the purchase of the English Property Corporation in 1985, as well as the need to upgrade existing investments.

Under 20 per cent of MEPC's portfolio is made up of City investments at the moment. But this percentage is set to rise to the mid-20s, following the completion of Alban Gate.

The major part of MEPC's City development programme is taken up by this one development. Alban Gate at London Wall will provide 400,000 sq ft of offices and is due for completion by the end of 1991.

Ownership of the site was a result of the company's

"A bear market could give tenants the whip hand"

takeover of EPC. The current asking rent for the space is £45 per sq ft. MEPC's next largest City scheme will provide 123,000 sq ft of offices at 12-15 Finsbury Circus. This is scheduled for completion by mid-1991.

A number of smaller projects are also scheduled to be completed by early 1991. These include 38,000 sq ft at 22-25 Austin Friars; 29,000 sq ft at 69 Carter Lane; and 21,000 sq ft at 166-170 Bishopsgate.

Mr Tuckey believes MEPC's City portfolio represents "a nice spread of locations." However, there can be little doubt that even according to the company's own calculations much of MEPC's new City office space will be coming on stream at a time when City rents will be stagnating and letting comparatively hard to achieve. But MEPC believes that the long-term view for its schemes is good.

Unlike many developers, MEPC does not believe in trading its completed schemes on and its aim is always to retain 100 per cent of its portfolio. This means that MEPC is not dependent on making its schemes conform to the strictest institutional specifications.

Even so, in the past, the asset-value of a building has largely been calculated with institutional preferences in mind and MEPC has had to keep one eye fixed on the institutional ideal of a building let to a single tenant on a long lease.

However, the UK institutions have been net sellers of commercial property over the last few years and the gap in the property market has been filled largely by foreign institutions who often have more flexible attitudes when valuing a commercial property asset.

MEPC believes that its long-term interest in its developments will help its schemes to weather the coming bear market in City office space.

According to Mr Tuckey, "the institutional view is that the ideal office property investment is one which is let to one tenant. For some time we have thought this was outdated. In some cases, we would actually prefer a multi-tenanted building."

A building which is occupied by a single tenant on a standard 25-year lease may not look as good or be performing as well 10 years on as a multi-tenanted building.

MEPC believes that wear and tear on City buildings is a greater problem than elsewhere in central London. The density of occupation as dealers' desks are crammed into shrinking workspaces, the constant coming and going of messengers and the levels of building-dust created by

City buildings require constant upgrading

the current scale of City redevelopment, all mean that City buildings need a consistently high standard of cleaning, plus the frequent upgrading of common parts.

A landlord with the long-term interests of his investments at heart will give more attention to this than will a tenant on a lease.

He predicts that a bear market could give tenants the whip hand – "in the US, where there are shorter leases than here, tenants receive a very much higher level of service which is a key factor in determining a building's desirability."

In the US, tenants who are no longer happy with a building's image or its services, will move. Mr Tuckey believes that the City office market may soon have to cater to the whims of its tenants, rather than those of the institutions – "if we move into a soft letting market, we'll be in a position where the tenants will call the tune," he says.

Tony Glover

■ New office buildings overlooking London's Roman Wall. MEPC's Alban Gate development will provide 400,000 sq.ft of offices *Picture by Trevor Humphries.*

Most tenants in the City prefer to concentrate on their businesses and leave building management to landlords, says Wates City.

Developments in the City's central core

Demand for flexibility in design

■ *PROFILE: Wates City, a property company with major schemes under way*

WATES CITY, as its name implies, is a property company which concentrates solely on the City market. However, the company believes that its commitment to provide property of an internationally high standard in the City core, coupled with direct management of its own properties, will enable it to weather a bear market.

Wates City has a number of major schemes under way – for example, Vintners Place, under construction on a riverside site adjacent to Southwark Bridge, will provide 250,000 sq ft of offices.

The new building will have a large central atrium enclosing an internal street at river walkway level and is scheduled for completion in autumn, 1992. The scheme is being carried out in conjunction with the Vintners' Company.

At 100, Old Broad Street, Wates City is carrying out a 300,000 sq ft development with a retail content along London Wall, in conjunction with Friends Provident.

Wates City is also developing two new schemes, City Plaza, totalling 330,000 sq ft, and City Place, totalling 164,000 sq ft, which will combine with complimentary refurbishment schemes and an existing property, City Tower in Basinghall Street, to provide over 1m sq ft of space connected by covered walkways.

The new project will take place on sites stretching from London Wall to Fore Street.

The company firmly believes that the City's prime location will always be its central core – "the vitality starts at the centre and works out. The city core should contain the best offices and get the best rents. But it is precisely there that it is most difficult to obtain planning consents."

Constructing modern office premises in the middle of the City can be a developer's nightmare. Unlike New York, where the buildings are set on a grid-iron layout, City sites are irregular in shape. There is also a multiplicity of ownership which turns the assembly of a major site into a project in itself.

Wates City believes that the key to successful office development in the City is to build modern office buildings with large floor areas, ideally 25,000 sq ft net, in the central core. The company has worked hard to assemble central sites large enough to support this type of scheme. Even then, the City core environment presents its own planning hurdles. In the cramped environment of the City, factors such as light angles have to be taken into account at the design stage, if planning consents are to be granted. In some schemes, particularly the smaller ones, Wates compare this situation "to trying to pour a building into a three-dimensional

The provision of good management services is vital to tenants

mold."

Flexibility of design is the key to being able to react to tenant-needs in a tough letting market, says the company. It is building the flexibility for multi-occupancy into its latest design and regards itself as a City pioneer when it comes to multi-occupancy buildings.

It developed City Tower as a multi-occupancy building in 1985 and has learned much from managing multi-tenanted buildings – "it's a 24-hour a day operation; you can't lock the front door."

Rents in the four-year-old building are currently £63-£74 per sq ft. Wates believe the tenants are happy to pay the £5-£8 per sq ft basic management if it means having the working environment they need. But multi-tenanted buildings impose severe demands on the management skills of the landlord.

Wates City believes that although surveyors have always regarded management as a poor relation to the business of developing and letting, it will be the key to success in a tenants' market. The company is certain that most City tenants would prefer to concentrate on their own business and leave the management of the working environment to the landlord. This means the landlord takes full responsibility for items such as cleaning and maintaining common parts and washrooms and security.

A spokesman compared the management service in Wates City's latest generation of buildings as being akin to running an hotel, even to the extent of providing features such as swimming pools, saunas and a front-of-house service to book outside services such as theatre seats and hotel reservations. In a tough letting market, City developers can only succeed by providing top-quality space and facilities of an international standard, says the company.

Tony Glover

Business relocation

Mountains on the move

THE PRESSURE, inevitably, is beginning to tell. As the world comes to view London increasingly as the financial heart of a unified Europe, most self-respecting foreign financial institutions not already there are seeking to insert the sharp end of their overseas effort into the Square Mile.

In the consequent jostling for space, blunt ends are being squeezed; rents have trebled to £70 per sq.ft., staff have become much harder to find and companies whose entire operations have historically occupied tens, if not hundreds, of thousands of expensive square feet within open cry of Liverpool Street station, are looking closely at their space and personnel requirements.

Some thinning-out is going on. To some extent, it was a process waiting to happen. Communications technology has for some time made location less critical for all but front line activities and with the capital's flagging infrastructure under increasing fire, staff costs and availability were already under scrutiny before this latest foreign intrusion into the supply and demand equation.

Decentralisation, anyway, is nothing new. The Location of Offices Bureau did much in the 1960s and 70s to transplant big space users in the provinces, though it was then perhaps an idea before its time.

A few early departures in this latest exodus have aimed no further than other parts of London, notably Docklands. But with Docklands' temporary PR problem stemming from mistimed transport arrangements, some refugees are heading for the wide, and usually nicer, open spaces.

The banks are leading the way, with Lloyds going to Bristol, Barclays to Coventry, the Bank of England to Gloucester and Chase Manhattan adding

Staff-resistance to moving is not usually a big problem

to its established quota in Bournemouth. NatWest last year moved its Sterling Payments Department to Manchester, and Midland has long had part of its operations in Sheffield though it says that no other movements are imminent. Sadler's Wells Royal Ballet, perhaps in pursuit of cultural middle management undimmed by London commuting, is moving to Birmingham.

Lloyds' move is taking its personal banking operation with 700 jobs from Cannon Street to a building in Bristol, on the site of bonded warehouses blown up as part of a Telethon appeal two years ago.

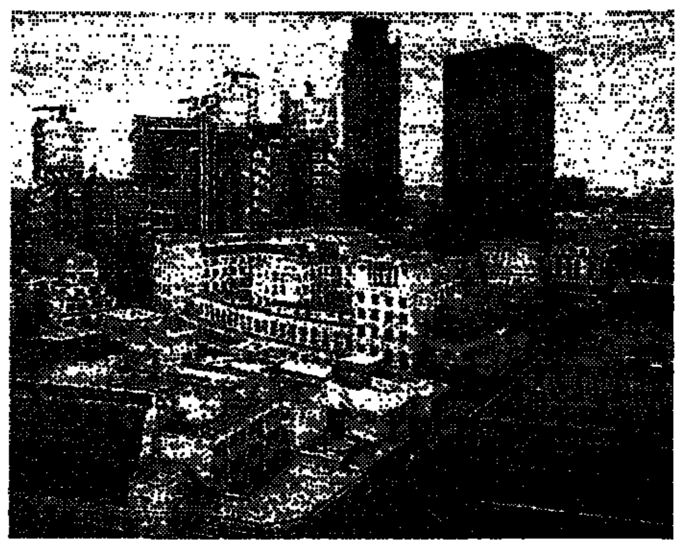
Accommodation-cost is the major factor but the bank already had 300 jobs in Bristol, a city which it views as of rising importance in the banking world, and it will be recruiting a further 700 staff locally, in addition to the jobs moved from London.

Chase Manhattan, into decentralisation for some time, already has 900 staff in Bournemouth who will be joined by a further 450 in a new building to be topped out in February. This move signifies local organic growth, as well as a London cost-cutting exercise, and with a total UK workforce of about 2,600, the bank will have a significant part of its operation out of central London.

The Bank of England is taking its Registrar department, which maintains the register of holders of Government securities and gilt-edged stock, to a new 100,000 sq ft facility close to Gloucester city centre in 1991. 600 jobs – out of a total London complement approaching 4,000 – will go from its New Change Building near St Paul's, together with about 25 per cent of staff currently filling them, the rest being recruited locally.

Accommodation costs were again a consideration but the opportunity to go to Gloucester was compelling because by its nature and location, the city minimised the risk to continuity of service; it isn't too far from London and has a pool of suitable school-leavers.

Barclays, meanwhile, is moving 1,000 head office jobs to Coventry in 1990, about half of which will be filled locally.



Some thinning-out is inevitable in the crowded City

Some operations will go from four City addresses to three new buildings on the Westwood Business Park close to the University of Warwick, the major inducement being £15 per sq.ft., rather than £70 which begins to add up on 150,000 sq ft. As Peter Thompson, director of Property Services, says: "Ours is a business, like many others, in which the winners will be those who can deliver excellent service competitively and at low cost. It makes sense to relocate those parts of our business which don't need to occupy central London locations."

But he echoes the comments of several institutions when he adds a compelling second reason – "as changes in the employment market make it more difficult for us to find staff in the south-east of England, we shall be giving ourselves the opportunity to broaden our recruitment base."

Outside the mainstream financial sector, some companies no longer see a reason for a physical City presence at all. Business information researcher Dun and Bradstreet is moving its entire operation with 1,000 jobs from Clifton Street, EC2, to a new building beside the M40 at High Wycombe.

Again there will obviously be cost-savings, but the move was also logistically appropriate in allowing the company's UK and European headquarters to get under one roof.

All companies say that staff resistance is not a particular problem, and all staff concerned have considerable warning so that every aspect can be considered without hurry.

Most companies arrange familiarisation trips over the months, and sometimes years, before final decisions have to be made, and they provide all information and every assistance that employees need to assess the new area, its housing and schools, and the overall package. The process is not cheap however. In 1988, the CBI estimated the cost to a company of a moving an employee at close to £10,000.

An annual report by surveyor, Jones Lang Wootton, "The Decentralisation of Offices From Central London," monitors the trend.

It noted that the number of jobs committed to leave Central London in 1990 and beyond had already exceeded 10,000.

In terms of overall numbers, this is not wholesale abandonment and it has yet to have a noticable effect on the office market in Central London, but the trend is rising and there is a growing tendency for companies to go further afield.

Most significantly perhaps, the report confirmed that the instigation behind most moves was not merely accommodation costs, but increasingly the cost and, more particularly, the availability of staff.

John Worrall

Search for equilibrium

Continued from page 1

cent of the space proposed now will not be built. This, Savills suggested, will help to keep the market in equilibrium.

Clearly, the surveyors have no reason to knock confidence in the market. But few will deny that the techniques of establishing potential levels of demand are as yet crude and, for the international financial community, with its crucial role in the City property market, influenced by events outside the UK. Nor can the level of demand in the City be wholly divorced from the movements of the UK economy, accurate forecasting of which is difficult.

Even assuming a sound market with supply and demand broadly in balance, it is difficult to imagine a repeat of the heady rise in rents between 1986 and 1988. Static rents block the financial way out for smaller and medium-sized development companies which bought into the City, usually on the fringe, at fancy site prices and have since seen their cost calculations thrown out by the rise in interest rates and escalating construction charges.

If there is to be trouble in the City, then the fringe is probably the place to look for it. That said, by far the greater part of City development is in the hands of companies with sound balance sheets or financing arrangements which give a moderate margin for manoeuvre because projects were costed off the base of lower rental levels than those now existing.

Yet, it is probably fear of corporate difficulties which influences sentiment about the City, manifest in the fear that there is too much building, rather than any conclusion springing from supply figures and demand estimates.

Add to the corporate factor, uncertainty which may be caused by the imposition of Value Added Tax and the Uniform Business Rate, spice with the instances of backroom staff relocation outside the City, and there are the ingredients for a cocktail of gloom.

But, at the same time as there is domestic apprehension there has been a burst of confidence among foreign investors, impressed by the City's future as an international financial centre. The UK financial institutions, either sated with property or indifferent to it, have for the most part turned their back on City property investment. The gap they left has been filled with investment from abroad.

The main source of funds has come from Japan. Companies and institutions have taken the leading role in the purchase of properties over £50m. But there has also been significant Scandinavian activity, helped by what is seen as aggressive lending by Swedish banks, especially around the City fringe and especially for smaller properties than those favoured by the Japanese.

For how long or in what quantities such funds will continue to arrive can only be conjectural. There will be hopes that the flow can be sustained, because there is a longer term financing problem to be addressed.

The surge in City building has been partly financed by bank lending on a non- or limited recourse basis. That medium-term bank lending at some stage will have to be replaced.

Prospects for a unitised property market have been dashed. There is no fresh flow of funds from that source. If the domestic institutions stand off from new investment, the foreign interest in the City market may have a much greater future significance than it has now.

Old barriers have broken down

The City in context

THE CITY of London is not what it was – yet this is not a complaint about a fall in the moral standards of business or anything of that type, but rather an acknowledgement that the old labels do not fit any longer.

Once upon a time it could be said that the City equals finance, that it was simply the financial quarter, a discrete district with its own market. That is no longer the case. The City property market is part of a wider whole.

It remains the case, of course, that financial institutions of any size, both of domestic and foreign origin will want to retain a presence in the Square Mile, somewhere near the Bank of England. But beyond that, the situation is much more fluid and the City is forced to compete for tenants and owner-occupiers like any other office district.

Several factors have been at play in this situation. The first is that the City itself has expanded its occupational, though not its administrative, borders as the pressure for space has built up, and to some extent been satisfied, by its expansion as an international financial centre.

New office areas have been sprouting up to the east in Tower Hamlets, to the north in Hackney, to the west in what is now called the mid-town area of Holborn; also south of the Thames, not only near around London Bridge but further to the west by Southwark and Blackfriars bridges.

The second factor is that the very pressures for space which prompted a building surge in the City itself, especially in the districts outside the historic core, prompted a surge of building elsewhere.

The genesis of Canary Wharf in London Docklands was the desire of Credit Suisse First Boston and Morgan Stanley to break out of the geographical confines of the City into less expensive purpose-built accommodation.

It has been the combination of specific pressures on space in the City and the space demands caused by economic growth in the south-east of England which have led to a proliferation of building across central London.

The third factor is that the firmness of this demand has not so far been dented. There have been few signs of any let-ups in the demand for space. What has changed rather is the speed at which the demand has been met in different areas.

The demand has been drawn, naturally, to the districts or buildings where the space has been available. When the shortage in the City was acute, banks like Salomon Brothers were driven to Victoria. When large buildings in the City were scarce, professional firms began to find what they needed in the Fleet Street and Holborn areas.

Now the picture is shifting again. In the traditional offices areas of the West End of London like St James's and Mayfair there is little space in which to build and development is for the most part confined to relatively small buildings or refurbishments. So rents have been driven steadily higher to above £70 a sq.foot – in some cases, recorded in the Berkeley Square part of Mayfair. The result has been that the City at a more modest £40-£50 has started to look cheap in comparison.

The reason why the rent differentiation between the West End and the City has been reversed is that the building programme of the latter has started to catch up with demand. The City can begin to act as a counter-attraction to the West End, traditionally a corporate headquarters area.

But the City itself is expensive in comparison with the developing office areas of the east. Olympia & York, the Canadian developers of Canary Wharf, has made no secret of its intention to create another office centre which would would complement those of the West End and the City. Yet to some extent this has already been done with developments like Harbour Exchange, South Quay Plaza and so. In these office developments on the Isle of Dogs, where rental levels are affected by the Enterprise Zone tax concessions – the capital allowances and rates holidays – the rents at around £20 a square foot are less than half those of the City.

Yet, as a counterweight to the City, London Docklands has not so far succeeded. Nearly 9m square feet of office space has been completed. More than 25m square feet is on the way. Who will occupy this space is not clear.

"At this moment, I don't think it will be from the traditional City markets that we can expect our salvation," declared Roy Sunderland of Grant and Partners, long established in Docklands.Nevertheless, there is a movement among the increasingly cost-conscious financial institutions in the City to shift staff, whose duties allow them to be be moved, out to less costly offices. This movement has been directed so far towards the City fringes, rather than to Docklands.

The point of all this is that perceptions of the City market are beginning to change as the accomodation needs and costs of the office occupiers change. The movement of people in and and out of the City shows that there is no longer any automatic requirement for all financial companies to be in the Square Mile or, indeed, to have all their staff in it.

It is now possibly to draw a swathe across central London from Victoria to the Tower of London where rents are likely to be £40-£45 a square foot and to note that there is a chain of development running from the White City in the western suburbs to the London Docklands in the east.

Paul Cheeseright

FINANCIAL TIMES
COMPANIES & MARKETS
Friday September 22 1989

INSIDE

Black night for smiling horse

All was thought to be well. The Desoutter family and directors, speaking for more than 50 per cent of the shares in UK pneumatic and power-tool company Desoutter Brothers (logo, left), had agreed an £99m bid for the business from Swedish engineering company Atlas Copco. Then yesterday the UK Trade and Industry Secretary, Mr Nicholas Ridley, referred it to the Monopolies and Mergers Commission, on the grounds that it could be bad for competition in the UK pneumatic tools market. So the bid lapses. Page 30

Mobilising for Hungary

In a cautious but highly organised drive to attract outside investment to Hungary, a group of western financiers and the National Bank of Hungary have set up the First Hungary Fund. Potential investors concerned about the risks in a country which has an inflation rate of 20 per cent and a non-convertible currency, can take heart from safety net proposals agreed with the authorities. Page 26

Sparks fly in Madrid

There is huge excitement both inside and outside Spain as investors scramble for stock in the electricity utilities. The interest has pushed the Madrid Bolsa index past its October 1987 pre-Big Bang high — as well it might, since the electricity companies account for around 15 per cent of the market's capitalisation. Page 23

Oil ministers gas in Geneva

Oil ministers from the Organisation of Petroleum Exporting Countries gather in Geneva this weekend with oil markets at their most stable for nearly four years — for which its members deserve little credit: Opec production is now estimated to exceed 22m barrels a day — 2m b/d above its self-imposed production ceiling. The United Arab Emirates and Kuwait are both producing at more than twice their formal quotas. But many think there is little chance of a breakthrough this weekend. Page 38

Blue in Chile

The Santiago Stock Exchange has been in gloom since May, falling by over 100 points in four months, even though Chilean companies are doing well and inflation is not bad. The reason is political. The fall was expected when General Augusto Pinochet (left), whose policies favoured the business community, was defeated in the national plebiscite last October. Page 48

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises		
BMW	625.5	+ 6.5
Deutsche Bk	678	+ 4.6
Karstadt	685.5	+ 17
Kaufhof	572	+ 4
Siemens	602.7	+ 3.7
Falls		
Linde	840	− 8

PARIS (FFr)

Rises		
Bic	795	+ 51.2
Eurafrance	2402	+ 107.6
Imetal	394.6	+ 17.2
Metaleurop	280	+ 17.7
Falls		
CSEE	465	− 21.6
Rattnage	187.8	− 8

NEW YORK ($)

Rises		
Bethlehem Steel	33⅞	+ [illegible]
Chase Man	40⅞	+ [illegible]
Citicorp	31⅞	+ [illegible]
Man Hanover	40⅞	+ [illegible]
Falls		
AMR	78⅞	− [illegible]
New Jersey Stl	18⅞	− 1¼

New York prices at 12.30pm.

TOKYO (Yen)

Rises		
Bk of Osaka	1170	+ 120
Kanagw Elect	1460	+ 160
Hurlbeyrock	1150	+ 200
Nippon Chem	1460	+ 200
Ohbara Elect	2050	+ 210
Sega Enter	6350	+ 990

LONDON (Pence)

Rises		
AMEC	455	+ 10
ASDA	197½	+ 7½
BPB	263	+ 8
Blacks Leis	8¼	+ ¾
Dalgety	414	+ 10
Goldberg (A)	154	+ 10
Jaguar	546	+ 38
Laporte	516	+ 18
Logica	245	+ 15
Midland	384	+ 15
Rolls	474	+ 5
Racal Elect	226	+ 9
Racal Tele	384	+ 16
Smith (W.H)	337	+ 6
Steetley	419½	+ 6½
TI	463	+ 9
Wills Faber	236	+ 7
Falls		
Lasmo	532	− 2
Ratners	272	− 4
TVS Ent	192	− 69
Wm Low	1090	− 13

Mannesmann and TI in strategic alliance

By Nick Garnett in London and Andrew Fisher in Frankfurt

TWO engineering groups, TI of the UK and the much bigger Mannesmann AG of West Germany, announced a strategic alliance yesterday that is cemented by a five per cent stake Mannesmann is taking in the British concern.

Both groups said that their long-term goal, which could trigger a realignment of European heavy manufacturing, is to co-operate in technology and marketing and jointly to explore acquisition opportunities.

A joint company committee which will include Mr Werner Dieter, Mannesmann's chairman, and Mr Chris Lewinton, chairman of TI, is being set up to examine the areas in which the two groups might work together.

Mannesmann is to subscribe for 7.66m new TI shares at a price of 326p per share. Shares in TI closed in London at 463p, up 9p.

The German group, whose products include machinery, instrumentation, automotive components and large diameter tubes, had sales of DM20.4bn ($10.5bn) last year. First half profits this year rose 28 per cent to DM175m.

TI, which has been totally restructured in the past three years and now mainly manufactures mechanical seals, small diameter tubing for the car and white goods industries and furnace equipment, had pre-tax profits of £85.4m ($133.2m) on sales of £959m last year. It made a pre-tax profit of £49.2m on turnover of £460.9m for the six months to June.

Mannesmann stressed yesterday that as yet there were no concrete co-operation or acquisition plans. The view of analysts yesterday was that any business deals between the two groups could be a year or two away.

However, TI, which has been talking of adding a fourth engineering leg to its three core product areas, will get an early injection of £41m from what is likely to be a safe shareholder. Moreover, Mannesmann has agreed not to increase its shareholding in TI without consultation and TI has the right to place Mannesmann's TI shares if the German company decides to sell them.

"This is a strategic alliance, a long term study," Mr Lewinton said. "It will help TI to grow faster. There are so many areas of possible co-operation the problem will be choosing the right ones."

TI wants to expand in Germany, where its sales are just £70m, and Mannesmann has a large distribution and servicing network there. Mannesmann, whose order flow for machinery and plant jumped 54 per cent in the first six months of this year, is keen to expand in the US where its sales are only 10 per cent of group turnover.

Last year its Hartmann and Braun process control subsidiary bought Applied Automation there. The US accounts for 45 per cent of TI sales.

Mr Lewinton said there were some complementary technologies. For instance, Mannesmann makes process controls that might be linked with TI's production of advanced furnaces.

Both companies make automotive components. In February, TI bought Mannesmann's 60 per cent share in Mecano-Bundy, a West German maker of brake lines. Two years ago, Mannesmann purchased Fichtel & Sachs, a big German motor components supplier.

Mannesmann's UK turnover is about DM750m. Two of the group's main subsidiaries — Demag, which makes industrial equipment, and Rexroth (hydraulics) — have UK production plants, and Fichtel & Sachs has been considering setting up a plant in the UK.

Asked why Mannesmann needed to take a stake in TI, Mr Lewinton said: "Dr Dieter says it will put a bit of glue between us." Mr Lewinton predicted yesterday that there were going to be more cross-border deals in engineering as the liberalised European market approaches. "The domestic appliance industry has gone this way, as have the aircraft and automotive industries. Everything is turning on the clout you have. This theme is going to go through engineering."

Formal co-operation agreements are rare between British and mainland European heavy engineering companies. The merging of GEC's power engineering and factory automation businesses with those of Alsthom of France last year is one of the few significant ones.

Davy, the British contracting engineering group, and British Steel have both been looking to build partnerships in continental Europe.

There have been more cross-border deals within mainland Europe. Sulzer of Switzerland and Voith of West Germany have announced a merger of their paper-making machinery and fluid-flow technology divisions.

Pan-European deals have been striking in electricity supply equipment, locomotive building and materials handling.

However, there are more deals between European and US companies, while many European sectors remain fragmented.

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TVS reveals substantial losses at US subsidiary

By John Ridding and Ray Snoddy

TVS Entertainment, one of the UK's largest independent television companies, revealed yesterday it is suffering substantial losses at a US production company which it bought last year, for £190.5m, as the cornerstone of its strategy of diversification.

MTM, whose successful series have included Hill Street Blues, is expected to lose up to $45m in the year to the end of October.

This means TVS, in spite of claiming the third biggest share of UK television advertising, will see a sharp fall in pre-tax profits this year to between £10-£12m. This compares with £26.1m last year and £13.4m at the half-way stage.

The City reacted instantly to the unexpectedly severe news, and TVS shares fell from 261p to 192p.

Mr James Gatward, one of the founders of TVS and still its chief executive said: "I still have the full support and confidence of my board and major shareholders."

Part of the incentive of the MTM deal was to provide an alternative earnings stream should the company be unsuccessful in its attempt to regain its franchise.

The losses at MTM — the biggest ever foreign acquisition by a British ITV company — throw into question the TVS strategy of diversification ahead of the competition, to win new ITV franchises when the current licences expire in 1992.

TVS is not alone in seeking to acquire a US production and distribution company. Thames Television, the largest ITV company, is in negotiations to buy Reeves Communications for around £60m despite the fact it has just declared a loss. But Mr Gatward was unrepentant yesterday.

"The strategy is as right now as it was two years ago when we started it. At least we will have an alternative business if we lose the franchise application," said Mr Gatward who will fly to Los Angeles this weekend to oversee new cost-cutting measures.

Mr Joe Indelli, MTM syndication manager, has already left the company and a replacement will be announced soon.

Asked whether Mr Arthur Price, the MTM chief executive and significant shareholder would remain at the company Mr Gatward said: "I will do nothing to damage the fabric of the company and Arthur Price is part of the fabric." There was speculation yesterday that the problems could lead to the sale of MTM.

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Now the cat is out of the bag

Ray Snoddy examines the troubles TVS inherited with its $320m purchase of MTM

When Television South forked out $320m last year for MTM, the Mary Tyler Moore company which produced shows like Lou Grant and Hill Street Blues, it pulled out all the stops.

American police cars, hired from a film company, drove through the streets of London, taking City financial analysts back to their offices from the press conference.

And the deal had the stuff of drama and romance about it. A small south of England commercial television company, which did not exist 10 years ago and was having difficulty getting accepted as a major ITV network producer, was buying, if not the roaring lion symbol of MGM, at least the miaowing kitten of MTM that was a tongue-in-cheek spoof upon it.

It was the biggest ever foreign acquisition by a British ITV company and underlying it was a clear and plausible line of strategy.

It is also a strategy which is still tempting other British television and entertainment companies. Thames Television, the largest ITV company is keen to buy Reeves, an American programme distribution group, and seems keen to go ahead despite the fact that Reeves too is losing money at the moment.

Mr James Gatward, one-time studio floor worker with the BBC, a founder of TVS and still its chief executive, bought MTM in large part because he was worried, above all else, that someone would take away his television franchise in the same way he had seized the regional franchise from Southern Television in 1981.

This time round, however, the threat comes not from a capricious regulator but from the marketplace. In 1991 the British Government plans to put all ITV franchises up to the highest bidder, after a "quality threshold" has been observed.

So James Gatward decided on a major diversification into both the US production market and the syndication market — the sale to small town television stations of library material already shown on the networks.

As he said at the time of the original MTM deal: "We were not prepared to put our head in a bucket of sand while the Government decided our future and kicked the other end of our body."

But one television executive who knows TVS well said yesterday that, by trying to reduce the risk arising from the potential loss of a franchise, TVS had ended up putting everything at risk.

"I can't believe that this company, run by this board and management can win a franchise next time," said the executive who asked not to be named.

Ironically in trying to minimise the risks of the deregulation of broadcasting in the UK, TVS may have been caught by the after effects of the deregulation of television in the US.

The US syndication market mushroomed in the mid-1980s as new television stations competed for the limited amount of good quality "products" to show on their screens.

TVS may have bought at the top of the market before the shake-out among such stations started to gather force and the syndication market turned soft.

James Gatward watched his bad news happening before his eyes at the August board meeting of MTM in Los Angeles. Mr Joe Indelli, the syndication manager was about to present a written report suggesting sales would be much lower than expected.

The TVS chief executive said he saw the forecast being further downgraded by the hapless executive on the spot.

"I said fire him now. I will not tolerate this any longer," Mr Gatward said yesterday.

The best advice TVS has at the moment is that the US syndication market is unlikely to pick up for the next 18 months and full recovery could be two and a half years away.

One of the issues now expected to go under the microscope is the original valuation of the MTM library by Merrill Lynch, the US investment banking group.

Mr Gatward pointed out yesterday that Merrill Lynch came up with a series of valuations based on different projections, ranging from $300m to $320m.

The value of the library underpinned the deal, and the $300m figure was seen as a disaster scenario. Now MTM's expected loss of around $45m for the year suggests that Merrill Lynch's lowest estimate was too optimistic. As a result there could be a review of the original contract.

James Gatward was totally unrepentant yesterday and insisted his strategy was right.

Ironically MTM's troubles have come from the poor results of programme library sales instead of from television production where many people thought the true danger lay.

MTM, said the sceptics, was a company, whose best programmes had already been written and whose best writers had already gone.

In fact, in addition to the successful Newhart series, now in its eighth season an new series, called FM, was picked up by the networks this summer and got good reviews. Thirteen episodes of Capital News, a new TV programme produced by MTM, will be broadcast by ABC next year.

It may not be enough to make the bankers purr but it might keep the MTM kitten miaowing a little longer.

Poor textiles market hits Coats' first half results

By Alice Rawsthorn in London

COATS VIYELLA, the biggest textile group in Europe, is still suffering from the depression in the UK textile industry and saw pre-tax profits fall from £76.0m ($118.6m) to £55.2m in the first half of the year.

Sir David Alliance, chairman and chief executive, said 1989 was "a very tough" year for the group, but he saw signs of a modest recovery in some sectors.

Despite the downturn, Sir David said he was "determined" to renew Coats' bid for Tootal, a large UK textile company which, like Coats, is a powerful player in the international market for sewing thread.

The Monopolies and Mergers Commission is now nearing the end of its inquiry into Coats' £395m bid for Tootal. The MMC report is due to be delivered to the Secretary of State for Trade and Industry, Mr Nicholas Ridley, on Tuesday. He should give his decision by mid-October.

Group turnover rose to £890.9m ($881.9m) in the six months to June 30. The UK textile interests, representing half of sales, suffered a sharp fall in profits. Coats was also hit by high inflation at its South American thread companies.

Operating profits fell to £64.7m ($78.7m) and the interest charge — on gearing of 20 per cent — rose to £10.6m (£4.0m). Earnings per share fell to 6.31p (9.71p).

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Inquiry into Co op turns to unions

By Haig Simonian in Frankfurt

THE CRIMINAL investigation into the affairs of Co op, the troubled West German retailer whose shares resumed trading in Frankfurt on Wednesday, has widened to include the board of the industrial holding company representing the country's trade union movement.

State prosecutors investigating allegations of fraud at Co op have searched the Frankfurt offices of the Beteiligungsgesellschaft der Gemeinwirtschaft AG (BGAG), the trade unions' industrial holding company, which used to be Co op's main shareholder.

Meanwhile Co op shares were fixed at DM159 in Frankfurt yesterday, marginally down on the previous day's close. Dealers are still puzzling over the unexpected demand for Co op equity. Some speculators had put in orders to buy "at best" in expectation of purchasing at a price of DM20-30, but their orders, which had no ceiling set, were filled at a price many times higher than they expected.

Investigations are already being conducted into the affairs of Co op's former managing board, as well as members of its supervisory board and the accountants which approved its 1986 and 1987 results.

State prosecutors are also thought to be looking into the conduct of five former Co op directors.

The BGAG owned around 39 per cent of Co op's shares until December 1985, when, after the surprise cancellation of a planned stock market flotation, it sold its stake to a holding company representing the co-operative retailing movement and others, including a bank set up by Co op itself.

Mr Jochen Schroers, a Frankfurt state prosecutor, refused to say whether the latest investigations centred on current or previous members of the BGAG's board.

However, the latest news lends weight to the view that the relationship between Co op and the BGAG, which had members on the company's supervisory board even after selling its stake, may have been more complex than first thought.

The BGAG, whose current chairman, Mr Hans Matthöffer, is a former German finance minister under Mr Helmut Schmidt, confirmed the searches yesterday.

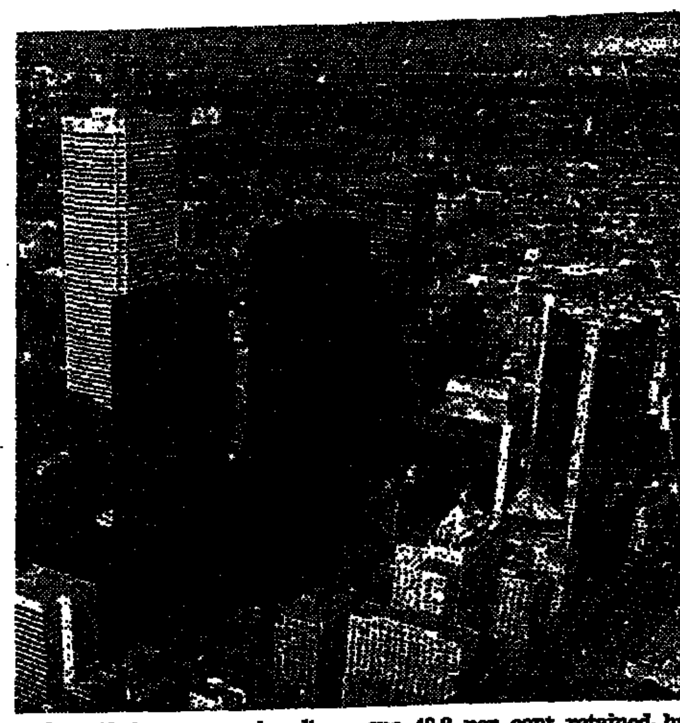
"We support the investigation and await a punctual explanation of the possible guilt," said Mr Karl-Heinz Stanzick, its spokesman.

Germany's trade unions are still living down the BGAG's role in Neue Heimat, once Europe's biggest private housing company, which was at the centre of a mismanagement and corruption scandal in the mid-1980s.

Since then, the BGAG has disposed of much of its portfolio as part of a re-assessment of its functions and a drive to raise cash to help cover Neue Heimat's problems.

Shock waves in Toronto's Bay St

David Owen reports on the rescue of crisis hit Campeau



From the eastern approaches, Scotia Plaza appears to be the tallest office tower on the Toronto skyline. The appearance is deceptive.

That distinction still belongs to First Canadian Place, a nearby white pillar of a building embossed with the blue insignia of Bank of Montreal.

But this observation and the sleek, modernistic lines of the 68-storey skyscraper are revealing nonetheless: Mr Robert Campeau, the French-Canadian outsider whose eponymous company planned and developed the building, evidently wished to make as big a splash as possible on Bay Street – traditional nerve-centre of Canada's crusty financial establishment.

The unpredictable Ontario-born developer has had a chip on his shoulder regarding Bay Street since 1980, when an inner circle of top bankers and corporate chairmen teamed up to thwart his characteristically audacious C$450m (US$381m) raid on Royal Trust, then Canada's largest trust company.

A deeply frustrated Mr Campeau eventually sold his stake in Royal to the Reichmann brothers' Olympia & York Developments (O&Y) in the first of a decade-long series of deals between the two organizations.

A fervent desire to prove his mettle to those who thus branded him a commercial pariah is widely held to have motivated many of Mr Campeau's subsequent business decisions.

One of these launched the startling debt-financed US$10bn sortie into US retailing, which hit the industry like a whirlwind and this week cost Mr Campeau control of his company.

Many believe the impulsive developer's key strategic error was to be goaded into a bidding war for Federated Department Stores, his second US retailing target.

The hard-fought battle raised the price tag for the Cincinnati-based department store chain from US$4.2bn to US$6.6bn.

The crunch came when Campeau found itself short of cash to buy Christmas merchandise for its 260 or so outlets.

The squeeze undermined the group's extraordinary attempts to carry a debt burden (as at January 31) of almost US$11bn on a meagre shareholders' equity base of just US$88m.

The rescue package finalised on Tuesday – under which O&Y will pump US$250m of working capital into Campeau in return for a much-enhanced equity stake – transfers responsibility for the inevitable restructuring to a four-man committee, chaired by O&Y's Mr Lionel Dodd.

The committee will report, in turn, to a whittled-down 10-man board, comprising three nominees from each of O&Y and Campeau (including Mr Campeau himself), and four representatives of minority shareholders.

Among this last group, however, is Mr Robert Butler, chairman of GW Utilities, a Reichmann holding company. Mr Butler will also sit on the restructuring committee.

The arrangement will give O&Y a fully diluted stake of 38.4 per cent in Campeau, versus 43.2 per cent retained by the Campeau family.

The clear impression that the Reichmanns will be calling the shots has already contributed to an improvement in both Campeau shares and indicated prices for junk bonds issued by the group's Federated and Allied Stores units.

On Wednesday, Campeau stock rose C$⅝ to C$15⅛ in heavy trading on the Toronto Stock Exchange.

This level is still well below the 52-week high of C$22 reached on September 7 just before the crisis became manifest.

For all the fanfare with which it was greeted, the initial Reichmann cash infusion has done little more than ensure that Campeau's retailing interests will continue to tick over during the critical Christmas season while a thorough analysis of longer-term financing needs is undertaken.

"All Campeau has is a breathing-space," says Mr Martin Kaufmann, an analyst with Nesbitt Thomson Deacon in Montreal.

"This is the first in a series of many further financings; US$250m is a drop in the bucket." With this in mind, the trick for the restructuring committee will be to refinance the company in such a way as to stave off the need for an enforced fire-sale of assets at knockdown prices.

If full residual values are achieved, most analysts agree the liquidation of Campeau-controlled US retailing chains should yield the wherewithal to pay off the bulk of the company's eye-popping debt.

Improved operating performance at both Federated and Allied may somewhat increase the committee's margin for error, although the loss of the prestigious Bloomingdale's chain and its estimated US$125m annual opperating cash flow, will leave a big hole.

Though they will hopefully be conducted at leisurely pace, few see how additional sales – beyond the current auction for Bloomingdale's – can be avoided.

Already, it is crystal clear that Mr Dodd and his colleagues will have to tread gingerly through the quagmire.

Tentative proposals to deal with the next potential crisis in April, when an $800m bridge loan owed by Federated to a Citibank-led banking syndicate falls due, appear vulnerable to amendment.

O&Y has offered to assist with the refinancing of this commitment, conditional on the sale of Bloomingdale's "on satisfactory terms," and the repurchase of 75 per cent of the $2.8bn in preferred stock and junk bonds issued by Allied and Federated.

The snag is that repurchase terms are not to exceed indicated prices on September 15.

With the market improving from the depths plumbed then, Wall Street dealers find it hard to credit that sufficient bondholders will tender.

"If you want to get out of the bonds, you would sell – but it's not a bargain," according to one.

On the date in question, Allied's 11¼ per cent bonds of 1997 were reported trading at 32 cents on the dollar, while Federated's 16s of 2000 stood in the 70 to 75 cent range.

Dow Jones seeks rest of Telerate

By Anatole Kaletsky

DOW JONES, the big US financial publishing group, yesterday offered to buy out the minority in Telerate, its electronic market information business, for $576m or $18 a share.

Telerate's shares jumped $4⅞ to $20 in heavy trading as analysts and arbitraguers predicted that Dow Jones would eventually raise its offere price to assure a friendly negotiated deal with independent directors representing Telerate's outside shareholders.

Dow Jones currently 63.6m shares in Telerate, equivalent to about 67 per cent of the common stock on a fully diluted basis.

Dow Jones acquired its first stake in Telerate in 1985, when it joined with Oklahoma Publishing to buy the 52 per cent controlling interest in the business held by Exco, the London-based financial services group. Since then, Dow Jones has steadily increased its holdings of Telerate stock.

In the past two years, as Dow Jones business publications, led by the Wall Street Journal and Barron's have languished, Telerate has turned into the group's most profitable and fastest-growing operation.

In the second quarter, Telerate reported a 14 per cent increase in revenue to $174m and a 7 per cent advance in operating income to $59m.

Telerate is the leading provider of on-line price information to the US bond and money market. It recently formed a joint venture with AT&T to try to challenge Reuters' dominance of information systems for the world's foreign exchange markets.

Telerate had no comment on the Dow Jones proposal. The company has its own management and a 13-man board with six appointees from Dow Jones.

A Dow Jones official was quoted by the company's own newswire as saying that Dow Jones would be "prepared to discuss" a higher bid

US bank stocks rise after Chase $1.3bn write-down

By Anatole Kaletsky in New York

US BANK stocks advanced on Wall Street yesterday morning in response to the $1.3bn financial retrenchment and restructuring announced by Chase Manhattan after the stock market closed on Wednesday.

Chase said it would create additional reserves of $1.31bn to cover potential losses in troubled Third World countries, Arizona real estate and securities trading.

The bank, which is the second largest in the US, said that huge provisions would result in a loss of $1.12bn in the third quarter and would force it to undertake a big capital raising exercise. Chase filed a registration statement yesterday to raise $500m worth of new common stock, equivalent to about 14 per cent of its current market capitalisation.

Despite the huge prospective loss, and the dilution of long-term earnings which would result from the new equity issue, stock-market investors were sanguine about Chase's action. The bank's share price advanced $⅜ to $40⅛ after rising $1⅜ on Wednesday.

Citicorp, the biggest US bank, which led the last big round of Third World reserving in the first quarter of 1987 and is now expected to follow Chase's initiative, jumped $1⅛ to $32⅞.

Bank analysts said that Chase's new provision suggested a more realistic attitude among US bankers to the Third World debt problem. Of the $1.31bn in reserves announced this week, $1.15bn will cover Third World lending, while $126m will pay for write-downs in Arizona real estate loans and $36m will cover the costs of closing and scaling down Chase's securities activities. Among other retrenchments, Chase said it would withdraw from the UK gilt-edged market and sharply curtial its Euromarket activties.

Chase's provisions for less developed country (LDC) lending will rise from 30 per cent to 46 per cent of its $6.2bn LDC exposure.

While these reserves will still be on the low side of the standards set by European and regional US banks, they would approach the market's current assessment of how much debt the banks would have to forgive under the Brady Plan promoted this year by Mr Nicholas Brady, the US Treasury Secretary.

Mr Willard Butcher, Chase's chairman, hinted strongly at the new pressure for debt forgiveness in justifying his bank's action. The Brady Plan, along with other changes in political and economc conditions, had created "increased pressure on the banks to reduce their claims and an increased resistance on the part of the LDCs to meet their obligations," he said.

These pressures had been apparent in the recent renegotiations of Mexico's debts, he added. The Mexican deal, strongly backed by the US Government, gave banks the choice of lending the country large sums of new money or voluntarily forgiving about 35 per cent of their existing loans.

Most banking analysts expect the Mexican deal to be followed by similar arrangements with other Third World countries and many think that Mexico will ultimately secure even deeper cuts in its outstanding loans. As a result, Wall Street has taken for granted that banks would ultimately lose 40 to 50 per cent on the Third World lending since Mr Brady unveiled his initiative.

But some of the biggest US banks, led by Citicorp and Manufacturers Hanover, strongly opposed this consensus, arguing that their existing Third World provisions of 30 per cent or so woudl prove adequate.

Manufacturers Hanover finally abandoned this position earleir this week, when it announced a $950m addition to its Third World reserves. The pressure will now be on Citicorp, the biggest US bank, to follow suit.

Given the favorable reaction on Wall Street to Chase's it will be hard for Citicorp to resist increasing its provisions and possibly also raising new capital.

But such a decision could come as an intense embarrassment for Mr John Reed, Citicorp's outspoken chairman. Mr Reed has taken pride in leading US banking trends rather than following them. Only last week he told a meeting of Wall Street investment analysts that he was "comfortable" with Citicorp's current reserve levels, arguing that they "adequately cover the economic risks" on Third World loans.

Strong earnings from St-Gobain cheer market

By George Graham in Paris

ST-GOBAIN, the leading French glass, pipes and packaging group, has reported first half net profits up 15 per cent to FFr2.005bn ($304m).

Operating profits rose by 17 per cent to FFr4.75bn, and the net profits included only FFr95m of exceptional income, compared with FFr443m stemming from asset sales in the first half of 1988. Overall sales rose by 12 per cent to FFr33.2bn.

The strong earnings, coupled with a dynamic investment and acquisition programme, have encouraged Paris stockbrokers, some of whom are forecasting profits of over FFr5bn for the full year.

This would be a gain of 25 per cent, after rising 60 per cent in 1988 and doubling in 1987. The company said its plate glass, bottles and insulation divisions continued to perform strongly in the first half, while the industrial ceramics, reinforcing fibres and paper and cardboard operations made further progress, and the pipes division showed a strong gain. St-Gobain said it had spent FFr2.83bn on capital investments in the first half, easily covered by cashflow of FFr3.96bn.

The company has recently embarked on a number of big expansions of its industrial plant, including a new float glass plant recently opened in the Isère region of eastern France.

The group also spent FFr3.39bn on acquisitions in the first half, including buying out minority shareholders in a number of subsidiaries but also taking controlling stakes in Sisa and Vetri, two Italian packaging concerns, and buying a substantial minority stake in Essilor, the leading French lens and spectacle maker.

Meanwhile, Essilor itself announced a rise in first half consolidated net profit to FFr162m from FFr144m. Turnover was FFr2.35bn against FFr2.11bn. Essilor said it expected similar growth in the second half.

● Groupe Victoire, the French insurance group, sold its stake of about 4 per cent in sugar company Beghin-Say on Tuesday, Reuter reports from Paris.

Shares in the sugar group, 60 per cent owned by Italy's Gruppo Ferruzzi, later rose almost 6 per cent on the Paris bourse and closed 38 francs up at 696.

Insurance offshoot helps Baltica rise to DKr354m

By Hilary Barnes in Copenhagen

BALTICA HOLDING, the parent company to the Baltica insurance, financial and related group of companies, increased first half operating profits from DKr301m ($39.7m) to DKr354m.

This reflected a strong performance by the insurance group, with operating profits up from DKr280m to DKr409m.

But after a capital loss of DKr32m, group net profits for the first half were down from DKr571m to DKr322m.

The capital loss included a DKr62m goodwill write-off connected to the acquisition in April of a 9 per cent holding in Hambro's Bank. There was also a negative capital adjustment of DKr107m for the value of shares and bonds in Hambro's. These factors were offset by the effect of the movement of bond prices on the Copenhagen market.

The total book value of the Baltica Hambro's investment on June 30 was DKr560m.

Group equity capital increased in the first half from DKr6.17bn to DKr7.25bn.

Group operating profits for the year are expected to be somewhat higher than in 1988, partly depending on how weather conditions affect earnings in the insurance group.

Suchard forecasts flat profit for year

By William Dullforce in Geneva

JACOBS SUCHARD, the Swiss chocolate and coffee group, yesterday reported a 6.6 per cent increase in first-half consolidated sales to SFr3.14bn ($1.87bn).

It forecast a flat net profit performance for 1989 as a whole.

Provided exchange rates and economic conditions remained the same, net earnings would be almost unchanged at around SFr300m.

This is against the SFr307m posted last year before the windfall profit from Mr Klaus Jacobs' losing battle against Nestlé for Britain's Rowntree was added.

Profit growth will still be hampered this year by the performance of E.J. Brach, the US confectionery business.

Jacobs Suchard bought it in 1987, and admits it made the wrong management decisions.

But the US business is expected to return to profit next year.

Excluding the US and "a few other special areas" operating earnings improved significantly overall in the first half, Jacobs Suchard said.

The group is spending heavily to launch its Milka brand chocolates on the Japanese market.

It expects to mobilise 100 new Japanese sales staff by the end of the year.

It has still to complete the restructuring of its confectionery business in Europe.

A new factory is being built in Berlin and production is being concentrated in a few locations.

With the negative effect of historically low world market prices for cocoa and coffee, the 6.6 per cent sales increase in the first half implied gains in market shares.

Turnover in confectionery, 58 per cent of the total, rose by 7.8 per cent over the first six months of 1988.

The coffee business recorded a slight decline.

Jacobs Suchard announced yesterday that it was broadening its top management by the appointment of four additional general managers.

Charged atmosphere over Spanish utilities

Tom Burns finds electricity companies excite much investor interest on the Bolsa

Not since Fecsa, the Barcelona-based electricity company, defaulted on its $4.9bn debt two and a half years ago, pitching itself into a painstaking rescheduling process with its 320 creditor banks, has the domestic utility sector excited so much interest both inside and outside Spain.

One company has announced investment plans in Latin America, another is conducting unprecedented talks with a potential European partner, and all, to a greater or lesser extent, are sizing each other up with a view to a shake-up of the sector as 1992 approaches.

The most visible sign of excitement is a current scramble for utility stock. That scramble last week pushed the Madrid Bolsa index past its pre-October 1987 high. The electricity companies account for around 15 per cent of the market's capitalisation and trading.

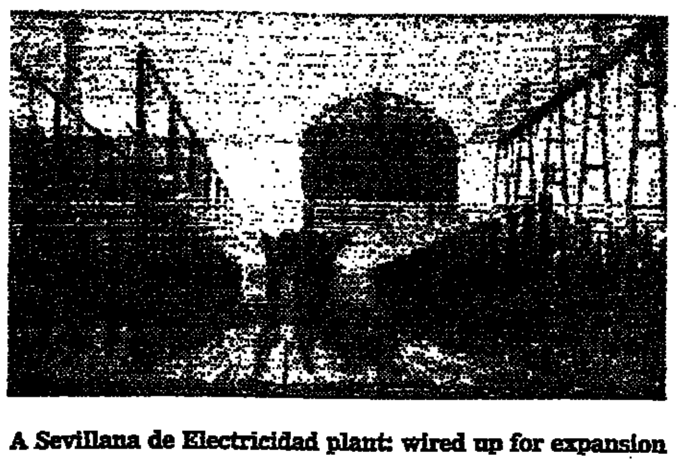
Surprising buyers have stepped in, the *bolsa* is rife with rumours about those who will, and London and Madrid brokers, who had been recommending clients to buy, are awash with orders.

Although some of the frantic trading may be speculative – the market expects Spain's steep interest rates will start to ease early next year – there appears to be a widespread perception of the sector's profit-orientated thrust. Over the past two years utility share prices had remained virtually dormant and they looked increasingly undervalued as the Bolsa steadily recovered confidence.

"Investors have realised that the sector has overcome its difficulties and now has a clean bill of health," says Mr Pedro Taberna, head of research at Beta Capital, a Madrid broking house that has been prominent in the current rush for utility stock.

The Fecsa crisis, caused in part by an over-ambitious and trouble-prone investment programme and in part by a deficient funding structure, is history and analysts have placed increasing attention on how the sector is now benefiting from two far-reaching and health-restoring recent developments.

One was a complex asset swap operation in 1985, sponsored by the government to rationalise domestic utilities. The second was a new tariff system, agreed in 1987, which, for the first time, provided for an equitable return, and took account of debt amortisation, capital investment, inflation, power generation and other variables when establishing the negotiated price of electricity. The dual medicine has worked wonders.



A Sevillana de Electricidad plant: wired up for expansion

Research Associates, the independent Madrid-based financial analysts, termed 1988 "a benchmark year" for the sector. Its detailed report, published this month, highlighted the positive funds from operations that the utilities were able to generate last year.

Mr Pedro Velasco, the electricity sector expert at Banco Hispano Americano, stresses the electricity companies have provided for all their capital investment up to 1995: "Their income for the next five years can all go to reducing debt and to paying dividends."

There is no doubt about the income. While the investment programme was tuned to an average 3.3 per cent yearly growth of electricity demand, consumption leapt by 6.5 per cent last year and, according to Hispano Americano's research team, should show a similar rise this year.

"We are looking at the underlying profits of the utility companies. We don't see them as quasi-bonds anymore," says Mr Lawson Steele, a senior London-based Spanish strategy officer at UBS Phillips & Drew.

Corporate activity among the utilities has matched the heightened market interest. Three companies in particular, Empresa Nacional de Electricidad (Endesa), the state-controlled utility which was partially privatised last year and which is the largest of the electricity companies, the second-ranked Hidroelectrica Espanola (Hidrola) and Union Electrica-Fenosa, the fourth largest company, are making headlines for different reasons.

Endesa, which accounts for 30 per cent of domestic output and is listed on Wall Street, shows its aggressiveness on two fronts.

On one hand it has unveiled a $1bn investment project to build thermal plants in Mexico. On the other it has dug itself deep in the domestic market by announcing, amid considerable surprise, it had acquired a 9 per cent stake in Sevillana de Electricidad, the fifth-ranked utility, based in southern Spain.

Endesa says publicly it has no intention of influencing Sevillana's strategy and has simply made an investment in a company with a bright future.

Some utility watchers are not so sure. In part this is because Sevillana invariably crops up whenever future alignments of the domestic sector are considered – and in part because Endesa might be worried about its future status as a privileged wholesale provider.

Under current sector rulings Endesa, which does not distribute direct to the consumer, has all its output bought by the private sector at a fixed price, regardless of whether the companies need such supplies. Whether this practise will continue in a deregulated future is an open question.

Mr Steele argues that Endesa "smacks of monopoly" and it could further fall foul of EC enviromentalists on account of its dependence on coal. Research Associates, in its report, says private utility companies feel they are paying too high a price to Endesa for the electricity they are obliged to buy, and after 1992 they will be able to purchase extra power elsewhere.

This means electricity from across the Pyrenees. According to Research Associates: "The possibility of Electricité de France selling at competitive prices in Spain is an increasingly likely hypothesis, primarily in the wholesale-industrial end of the market."

Hispano Americano's Mr Velasco nevertheless believes the public company can more than adequately defend itself against cost-cutting outsiders, thanks to its control of Red Electrica Espanola (Redesa), the monopoly operator of the domestic high voltage network.

A foreign company is unlikely to view a parallel network, aimed at supplying, for example, Basque and Catalan industries near the French border, as a viable proposition.

Union-Electrica Fenosa has gone out on a limb and started talking to West Germany's Rheinisch-Westfalisches Elektrizitatswerk (RWE), while the public company sizes up the French threat and certain private ones, such as the Basque-based Iberduero, the third-ranked utility and generally considered to be the best managed in the sector, are thought to be reviewing potential French advantages.

Union-Electrica Fenosa's initiative was as bold as it was controversial. Reports early in September that the Spanish company, based in the north western region of Galicia, planned to sell an initial 5 per cent of its stock to RWE, brought a piqued response from Industry Ministry officials who had known nothing about such negotiations until they read about them in the press.

Never before had a Spanish utility contemplated an equity deal with a foreign company, and the message from the Industry Ministry was that it did not like the development at all. "We have nothing against foreign financial investors buying into domestic companies," says Secretary of State for Energy Mr Victor Perez Pita, "but (the Union-Electrica Fenosa – RWE negotiations) is quite a different matter."

Mr Perez Pita argues that no Spanish electricity company needs a "foreign technological partner" and what the domestic utilities should be doing is forging agreements among themselves.

He admitted, however, the utilities were not a strategic sector barred to foreign intruders, and legally there was little the government could do.

At Union-Electrica Fenosa, Mr Victoriano Reinoso, director-general, says he is "not aware" of any veto on partnerships with non-Spanish companies.

Evidently concerned about the government's reaction, Mr Reinoso is cautious about equity negotiations with RWE, the eighth-ranked utility in West Germany. He stresses that discussion concerns technological collaboration and possible joint ventures in third countries, where the two companies could exploit their thermal knowhow.

This low-profile approach is dismissed by most analysts, who believe the RWE talks go much further than is publicly admitted and Union-Electrica Fenosa could be blazing a trail others will follow.

For the moment the most intriguing question remains, however, who is buying into the second-ranked utility Hidrola? It has a market share of nearly 18 per cent and will, together with Iberduero, necessarily be a chief axis on which future realignments within the sector must revolve. In a matter of days this month some 3 per cent of Hidrola's equity changed hands on the floor of the Madrid Bolsa and it is anyone's guess what has been purchased in private dealing.

Some brokers point to a large domestic bank, and Banco Espanol de Credito (Banesto) is the one most often mentioned as the Hidrola raider. But after Endesa's plunge into Sevillana and the furore over Union-Fenosa's West German's links, the assault on Hidrola widely spread equity could be another rapidly established milestone in a utility sector that has suddenly woken up.

Skoda 'needs to double output'

By Nick Garnett

SKODA, the Czechoslovakian car maker, needed to double its production capacity to survive and could only do this through greater co-operation with Western vehicle and component producers, according to the head of the country's vehicle export agency.

Mr Andrej Barcak, general manager for Motokov, also said that two of the country's truck makers, Tatra and Liaz should merge and a major effort was needed to reverse the country's declining production of motorcycles.

In an interview in Czechoslovakia, Mr Barcak said Skoda could remain a car producer but not at its present size. It needed to raise yearly capacity to at least 350,000 units – and perhaps 500,000. Skoda is expected to produce 183,000 cars this year, the same as in 1988.

"To get to this higher level foreign investment will be necessary," he said. "That means either licensing of an engine and components or joint development and technical help."

Such co-operation would be of much larger scale than that which has gone into Skoda's new front engined 1300cc saloon, the Favorit. This was styled by Bertone of Italy and has benefited from foreign technical help with the front axle and on noise reduction.

Mr Barcak's views on Skoda run counter to recent statements from Government officials. One was quoted early this year saying plans to raise output to 400,000 a year, which has been under discussion, were out of the question.

"We have tried to get a decision from the Government during the past two years," Mr Barcak said.

Production of the Favorit has been dogged by component supply problems, particularly for carburettors and shock absorbers.

Skoda made 25,000 Favorits last year against a target of 40,000. Mr Barcak said component problems had eased and production of the Favorit this year was expected to be between 80,000 and 85,000 against a planned target of 100,000.

The company would be in a position to halt the manufacture next year of rear-engined Skodas but these lower priced models appealed to a different type of buyer so there was a marketing requirement to continue making them, Mr Barcak added.

In Czechoslovakia's commercial vehicle industry, Tatra produces 15,000 trucks a year and Liaz, once part of Skoda makes 18,000. These two groups should merge, Mr Barcak said though any new grouping would not include Avia.

Avia makes 18,000 small trucks a year in a co-operation agreement with RVI of France. The trucks are based on those of the former Saviem company in France which is now part of RVI.

The Czechoslovakia motorcycle industry has been in steady decline for many years and its products are technologically backward. "Production is 170,000 a year and falling," Mr Barcak said.

Both the CZ and the Jawa had suffered by concentrating 90 per cent of their sales in the Soviet Union which accepted innovation very reluctantly. One of the CZ factories now makes car gearboxes and machine tools.

"The whole motorcycle industry will have to be looked at," Mr Barcak said. "Current designs have no place on the western market."

Total yearly sales for the Czechoslovakian vehicle and components industry, including tyre maker Barum, is Krs34bn ($2.5bn when converted through Soviet roubles).

Linde plans expansion of British plant

By Nick Garnett in London

LINDE, the West German industrial group which purchased the privately-owned Lansing forklift truck maker last year, announced yesterday a big redevelopment of the British company's Basingstoke site which could cost up to £40m ($25.3m).

The development will include a new assembly and machining plant on Lansing-Linde's 40 acre site in Hampshire.

Mr Henrich Heitmann, a member of the Linde parent board, said that the changes would not fundamentally alter the size of the Basingstoke workforce but the company did want to improve efficiency.

Mr Heitmann, a former senior manager at car maker BMW, declined to confirm the £40m figure and said that investment had not been approved yet by the board of Linde whose products include industrial gases as well as lift trucks.

The investment would certainly be above £20m, he said and this did not include £5m to be spent on improving production technology before the new factory was built.

High capital costs of equipment needed to stay in the competitive lift truck industry are believed to be one reason why Sir Emmanuel Kaye, the founder of Lansing sold out to Linde. The German company is one of the world's two largest forklift makers, alongside Balkancar of Bulgaria.

The new Basingstoke plant will use production technology similar to that used by Linde at its plant in Aschaffenburg, Germany and at the Fenwick forklift truck company in France which Linde also owns.

All engineering and production of standard so-called counterbalance forklifts is to be moved to Germany while Basingstoke becomes the Linde group's centre for producing warehouse-type trucks like narrow aisle vehicles. Linde did not produce such vehicles in Europe before the purchase.

Of the total yearly production last year of 4,000 trucks at Lansing-Linde, about 900 were counterbalance trucks. The Lansing name will disappear from virtually all trucks sold outside the UK.

There will be a small exchange of models between Germany and the plant in Wales which will be Linde's centre for trucks above 5 tonnes.

Ciba-Geigy may invest $646m in Connaught

By Peter Marsh in Geneva

CIBA-GEIGY, the Swiss chemicals and drugs group, plans to concentrate its worldwide vaccines development and marketing operations in Canada if it succeeds with its C$764m ($646m) bid for Connaught BioSciences, the Toronto based vaccines maker.

As part of this process, Ciba-Geigy would channel considerable resources into Connaught, said Mr Alex Krauer, chairman of the Swiss chemicals and drugs group.

Mr Krauer, whose company is the world's fifth largest pharmaceuticals business, said he could not speculate on how much money would be spent on building up the Canadian vaccine operations.

"But it would mean more resources for Connaught than the company is getting at the moment. The deal would be in Connaught's best interests," said Mr Krauer.

Mr Krauer made his remarks as the takeover battle for Connaught hots up. The Canadian company is subject to a rival merger proposal from Institut Mérieux, a French vaccines producer which is controlled by Rhône-Poulenc, France's biggest chemicals company.

Connaught shareholders vote next Thursday on whether to accept the Institut Mérieux proposal – which would be effected by a share swap rather than by the Ciba-Geigy offer.

Mr Krauer said that under his company's plans for Connaught, development of Ciba-Geigy vaccines now in the research phase would be transferred to Canada.

These vaccines, which are based on new ideas in genetic engineering, are being devised in a joint venture set up by Ciba-Geigy and Chiron, a Californian biotechnology company.

The Ciba-Geigy bid for Connaught is being made jointly with Chiron, although Ciba-Geigy would put up most of the cash for the acquisition should it go ahead.

Mr Krauer said he had special hopes for three vaccines being developed by the joint venture with Chiron which would be against malaria, herpes and a form of hepatitis known as hepatitis C. The earliest these products would be on sale would be 1992 or 1993 and the biggest markets for them would probably be in North America.

Chargeurs doubles profit

CHARGEURS, the French airline and textile holding company, more than doubled consolidated net profit in the first half of 1989, but warned that its second-half operating profit will come under pressure because of a strike at its airline unit in July and August, AP-DJ reports.

The company said unaudited figures showed its consolidated net profit for the first half at FFr921m ($139.7m), up from FFr452m a year earlier. Consolidated revenue rose 75 per cent over the same period to FFr10.470bn from FFr5.98bn, while operating profit climbed to FFr422m from FFr302m.

Chargeurs pointed out that its first-half accounts were strongly influenced by one-time factors. Among these, it noted a non-recurring gain of FFr692m from the previously reported sale of its Spontex cleaning products unit.

Partly offsetting this gain, the company had restructuring charges of FFr128m for some of its textile operations and FFr58m of start-up costs for its 10 per cent stake in the communications venture British Satellite Broadcasting.

Rieter expects good results

By John Wicks in Zurich

RIETER Holding, the Winterthur based parent company of the Swiss industrial concern Rieter, expects "good final results" again for the current year. In 1988, net profits had jumped by almost 75 per cent to a record level of SFr73.8m ($43.9m).

The company reports a further 7 per cent rise in turnover for the first seven months to more than SFr1.05bn in spite of lower sales of machines for the processing of chemical fibres.

In 1988 sales had risen by 26.6 per cent to a new high of SFr1.69bn, but this was due partly to the takeover of the German chemical company Gundernhausen.

Net profits for the January-July period are said to have been "better than expected," although apparently there will be no sharp increase for the year as a whole similar to that for 1988.

Earnings this year have been at last year's levels in staple-fibre machinery and the Unikeller division but results were "well below budgeted levels" in chemical-fibre machinery.

Notice of Redemption

Rockwell International Corporation

US$ 300 000 000.–
10⅞% Notes due 1992

Notice is hereby given that pursuant to the provisions of the above-described Notes («the Notes») Rockwell International Corporation has elected to redeem all of the outstanding Notes on October 25, 1989 at the redemption price of 100¼% of the principal amount thereof, together with interest accrued to October 25, 1989.

On October 25, 1989, the Notes shall become due and payable. Notes should be presented for payment together with all unmatured Coupons, failing which the amount of the missing unmatured Coupons will be deducted from the sum due for payment. Payments will be made in United States dollars at any of the offices listed below.

Coupons due on or before October 25, 1989 should be detached and collected in the usual manner. On and after October 25, 1989, the date fixed for redemption, interest on the Notes will cease to accrue.

Zurich, September 22, 1989

Union Bank of Switzerland, Zurich
as Principal Paying Agent

Fiscal and Principal Paying Agent

Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich

Paying Agents

Union Bank of Switzerland (Luxembourg) SA
36-38, Grand-Rue
2011 Luxembourg

Union Bank of Switzerland
117 Old Broad Street
London EC2N 1AJ

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
1040 Brussels

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
6000 Frankfurt am Main

INTERNATIONAL COMPANIES AND FINANCE

Elders IXL increases earnings by 37%

By Chris Sherwell in Sydney

ELDERS IXL, the Melbournebased international brewing, agribusiness and finance group, announced a one-for-six scrip issue yesterday, after reporting a 37 per cent jump in annual earnings and revenues of A$17.6bn ($13.5bn), the highest ever for an Australian company.

Figures for the year to June showed a record operating profit of A$615m after tax but before abnormal items, compared with the previous year's A$448.6m. Both figures include the equity-accounted earnings of the 42 per cent-owned Elders Resources NZFP group.

Including abnormal items, the reported figure was A$653.3m, down 5 per cent from A$685m. The items cover foreign exchange gains, commodity futures losses, provisions for doubtful debts, equity investment profits and Elders transactions involving Molson Breweries in Canada and Scottish & Newcastle in the UK.

The sales revenue figure of A$17.6bn represented a 15 per cent increase, and compared with annual revenues of A$14bn reported by its nearest rival, the Coles Myer retailing group, and A$11.1bn by Broken Hill Proprietary (BHP), Australia's largest company.

A breakdown of earnings figures showed that improved performances from brewing, resources, finance and investments offset a major setback in agribusiness.

The biggest contribution came from brewing, with lower-than-expected profits of A$530m before interest and tax. This compared with the previous year's A$657m, which has since been adjusted to A$429m to allow for head lease rental costs arising from the PubCo joint venture in the UK.

The group said Courage produced its best-ever sales and market share figures. But in pointed remarks directed at the UK authorities, the group called the blocking of its takeover of Scottish & Newcastle "surprising" and spoke of "confusion" in the UK brewing industry because of the "unfortunate findings" of the Government's brewing report and subsequent decisions.

For the agribusiness operations, the group described earnings before interest and tax of A$66.2m as "particularly disappointing" compared with A$157m the previous year. The larger-than-expected decline arose from a "series of unfavourable economic and climatic factors" along with heavy futures trading losses in the US grain business.

Elders Investments contributed A$101m in earnings before interest and tax, against a loss last year of A$17m, and A$96m came from the sale of various equity investments including Metal Box group. Another A$90m came in pre-tax earnings from Elders Finance, which made more than A$140m in provisions, and A$78m in pre-tax earnings from Elders Resources.

Reported interest expense amounted to A$201m, down from last year's level of A$315m, which has also been adjusted downwards in light of the sale of Elders' BHP shareholding and its redemption of A$860m of preference capital.

The group announced an unfranked final dividend of 11 Australian cents to make a total of 20.5 cents for the year, up from 17.4 cents. The one-for-six scrip issue does not qualify for the final dividend.

Elders is currently subject to a A$3.00 per share takeover bid by Harlin, a company associated with Mr John Elliott, the chairman, and senior Elders executives. Earlier this week Harlin confirmed it had picked up some 285m of the 318m Elders shares which had been offered to Elders shareholders by Petitio, a joint venture between the AFP group and Goodman Fielder Wattie.

Harlin had underwritten the offering, which was made on a one-for-five basis at A$3.00 per share. Harlin is meanwhile standing in the market to buy shares at A$3.00 under an arrangement designed to give Elders shareholders the choice of selling as well as buying Elders shares at A$3.00.

This offer to buy is due to expire next week, but already it is clear that Harlin will emerge with more than 50 per cent control of Elders. Unsurprisingly, yesterday's results had no impact on the Elders share price, which remained steady at A$3.00.

Dairy Farm rises 26% to $49m in first half

By Michael Marray in Hong Kong

DAIRY FARM International, the food retailing and manufacturing company within the Jardine Matheson Group, has reported a 26 per cent increase in profits, after tax and minorities, to HK$383m (US$49m) for the six months to June, buoyed by good performances from operations in Hong Kong, Australia and the UK.

Turnover for the six-month period rose by 20 per cent to HK$9.2bn. An interim dividend of 9 cents per share has been declared, against 7 cents at the halfway stage in 1988.

In Hong Kong, Dairy Farm operates supermarkets, drugstores and delicatessens, as well as the 7-Eleven stores, which it acquired from Jardine Pacific earlier this year. During the first half it opened 21 retail outlets, as well as 15 new Maxim's restaurants.

The company also continued its expansion into Taiwan, where it now has 14 supermarkets and two drug stores, while it recently signed a new joint venture agreement to develop a chain of supermarkets in Thailand.

Kwik Save, the UK supermarket chain which is 25 per cent owned by Dairy Farm, and in which a standstill agreement on further share purchases by Dairy Farm recently expired, also made a significant contribution, with its own 33.7 per cent increase in profits. The original acquisition, in 1987, was financed partly by a US$200m issue of convertible cumulative preference shares listed on the Luxembourg stock exchange.

Preference dividends totalled HK$51m during the first half, bringing Dairy Farm's attributable profits down to HK$332m compared to HK$252m last time.

Perlis raises turnover by 23%

By Lim Siong Hoon in Kuala Lumpur

PERLIS PLANTATIONS, the diversified Malaysian group which is making a one-for-three bonus issue, has reported a mid-year 46m ringgit ($17m) bottom-line profit gain following a 23 per cent rise in turnover to 559m ringgit.

Profit before tax was lower, however, at 67m ringgit against 68m ringgit for the previous nine months to June last year.

Perlis Plantations said improvements from its various companies and better yields from sugar cane contributed to the higher revenues. Sugar, the group's core business, provides more than three quarters of the profits; its other businesses are in palm oil, rubber, property, and hotels.

After-tax profit was 42m ringgit. On the basis of its enlarged 245m ringgit capital, because of the 61m ringgit capitalised bonus issue, the group is offering an interim post tax dividend of 8 per cent. Profit levels are expected to be unchanged for the remaining July to December period.

The bonus issue, announced earlier this year, would lower the group's net tangible asset backing per share from 3.45 ringgit to 2.59 ringgit, while net earnings at 24 sen per share would fall to 21 sen.

● Shareholders of UMW Holdings, the Malaysian automotive group, have refused the board's debt-to-equity conversion plan that promises to repay 45m ringgit of an outstanding 105m ringgit debt.

UMW had proposed a 53m ringgit debt and equity restructuring scheme a month ago in order to settle part of the loan and, at the same time, expand its share capital by 40 per cent to 162m ringgit.

The element in the scheme that was rejected called for a 9m ringgit debt settlement in cash, 3m ringgit to be written off, while the 33m ringgit balance converted to equity at 1.10 ringgit a share – far below the 3.20 ringgit a share value now traded.

UMW had hoped to carry out the debt and equity conversion by October 1, so its rejection means it must now ready 1m ringgit to settle immediately outstanding interest charges. Other elements of the restructuring scheme have been approved. They cover new share issues and share swaps to regain majority control of UMW Toyota Motor, the Toyota car assembler and distributor; and Seablanc Kredit, a hire-purchase and finance company.

UMW said the group was still likely to fulfil its 52m ringgit pre-tax profit, previously predicted, in spite of the rejection to its debt restructuring.

BFr2.5bn first half profit figure for ACEC-UM

ACEC-Union Minière, the newly merged engineering and non-ferrous metals arm of Société Générale de Belgique, has reported net profit for the first half of 1989 of BFr2.5bn, Reuter reports from Brussels.

The combined profit of the merged companies has been calculated retroactively, since they did not formally merge until the end of July. No theoretical comparison for first half 1988 was given.

Union Minière alone boosted consolidated net profit to BFr7bn in the first half from BFr2.8bn in the whole of 1988, largely because of exceptional income from the sale of shareholdings, ACEC-UM said.

Engineering group ACEC, whose chronic financial difficulties were the major reason for the merger with Union Minière, turned in a slight first half profit, the statement said. It gave no further details and no spokesman was immediately available.

A BFr1.7bn rights issue by the firm at BFr250 per share began yesterday and is due to run until October 5.

Renouf restructuring aids path towards profitability

By Terry Hall in Wellington

TROUBLED industrial and finance group Renouf Corporation has cut its net losses to NZ$29.43m ($17.34m) for the year to June 30, compared with a loss of NZ$401.23m for the previous year.

Directors say they believe they can return to profit this year. This would be due to the restructuring announced last month of NZ$140m worth of debt with nine European banks, as well as to hopes for an improved trading performance from its Alliance Textiles subsidiary, Renouf Properties and its international investments.

The debt restructuring cut NZ$20m in annual interest payments.

Renouf Properties wrote down the value of its properties by NZ$31m in the year. It has now written off NZ$56m from the value of its commercial property portfolio over the past two years.

The Alliance Textiles woollen group incurred heavy losses due to low domestic demand because of the poor state of the New Zealand economy and the liberalisation of imports. Mr Andrew Strange, the managing director, said that future prospects looked good for the Kirkcaldies and Staines retailing group, which was showing a significant rise in turnover and profitable trading.

He said the company's debt reconstruction would cut NZ$20m a year in interest payments, strengthen the balance sheet and reduce exposure to foreign exchange risk.

INTERNATIONAL CAPITAL MARKETS

Hungarians throw open investment frontiers

Judy Dempsey reports on a concerted drive to bolster the Hungarian corporate sector with western capital

In a cautious, but highly-organised drive to attract outside investment to Hungary, a group of western financiers and the National Bank of Hungary have set up the First Hungary Fund.

The fund, which will raise $50m through a private placement, will take direct equity or equity-related investments in Hungarian companies. It will focus primarily on start-up companies, joint-ventures and some of the more successful components of the state-run sector.

"The key emphasis will be on those companies which are exporting to hard currency countries," said Mr Janos Bartha, the deputy director of the National Bank of Hungary (NBH).

The fund has been formed by Mr George Soros, the New York financier, who, in recent years, has played a key role in providing research and training grants for Hungarians, Mr Andrew Sarlos, a Canadian investor, Bear Stearns, the US investment bank, and the NBH.

The investment advisor to the fund – First Hungarian Investment Advisory – is 50 per cent owned by NBH.

International Finance Corporation (the private sector affiliate of the World Bank which has already committed $7.5m to the fund) will have a 20 per cent stake and the balance will be owned equally by Mr Sarlos, Mr Soros and Bear Stearns.

Inevitably, there are questions, not the least of which is just how risky is an equity investment in Hungary?

Inflation is running at 20 per cent, foreign debt at $17.5bn is one of the highest per capita within the Eastern bloc, and the forint, the Hungarian currency, is not convertible.

No one doubts that Hungary's fight for economic survival over ensuing years will entail draconian curbs on consumer spending and a big cut in state subsidies.

Finally, there is the uncertain political dimension. Early next year, Hungarians go to the polls in the first free elections since 1947.

However, the Hungarian authorities have agreed to build a number of safety valves into the fund.

These include:

● Agreement by the NBH to provide a basic put option after December 31, 1994 – that is after the first five years of an investment.

This provides an investor with a one-time opportunity to sell all, or part of its shares to the NBH at a price equal to the initial buy-in price (less any distributed capital gains), and in dollars.

● The investor has the option to sell all its shares to the NBH at a price equal to the initial buy-in price (less any distributed capital gains), in the event of any changes in laws, regulations and government policies which could adversely affect the fund's aims. This option can be exercised at any time within the first five years, but only if 10 per cent or more of the fund's shares exercise this option.

● There is also a deferred put option. This starts in the sixth year of the fund and provides the option to sell all, or part, of an investment to the NBH at the net asset value per share between the sixth and tenth years.

● The NBH has committed itself to provide limited protection against exchange rate depreciation of the forint against the US dollar on all interest and dividend income.

● The fund will not be liable to Hungarian taxation. If, in future, it became liable, the NBH would indemnify the fund for any Hungarian taxes paid or withheld.

● No restrictions on the repatriation of the fund's dividend income, capital gains or assets.

In return for this safety net, the Hungarian authorities, mindful of their own political and ideological commitments, have in turn set out a number of preconditions of their own.

For example, the NBH can veto any investment.

It has also stipulated that the fund will not be able to invest in industries considered sensitive to Hungary's security interests: the defence industry, for example. Nor will it allow the fund to invest in under-developed land for speculative reasons.

The fund will also have to obtain government approval for any investment where foreign ownership would exceed 50 per cent.

For its part, the fund does not intend to invest more than 15 per cent of its assets in any single company.

Nor will it invest more than 25 per cent of its assets in any particular industry. Diversity is the main point here.

Hungarian bankers say that the initial response from the West has been encouraging. The fund has already raised about $43m.

Longer term, the fund may consider listing its shares on the fledgling Hungarian Stock Exchange. But the immediate way ahead is crucially dependent on the success and direction of Hungary's economic reforms.

Taiwan to crack down on share manipulation

By Alison Maitland in Taipei

TAIWAN'S stock market watchdog has decided on immediate measures to reduce rampant manipulation of share prices by groups of investors.

The local Securities and Exchange Commission (SEC) is asking the Stock Exchange to stop providing computerised information about the number of investors queuing up to buy or sell a stock when it has moved up or down by the maximum 5 per cent daily limit.

Mr Daang-Yen Lu, vice chairman of the SEC, said this information was "misleading" since it was open to manipulation by investors wanting to give the impression of a heavy build-up of demand.

Instead, he said, the SEC was asking the exchange to publish price earnings ratios for each stock, as well as the average dividend payment made by the company over the past three years, to try to improve the quality of investment decisions.

Early in October, the SEC also intends to increase the daily share price fluctuation limit to 7 per cent.

The moves are part of an uphill struggle by the short-staffed SEC to regulate Taiwan's easily manipulated stock market, where share prices have more than doubled this year and the value of turnover on some days has been ahead of the volume in New York.

Other potentially far more stringent measures are taking longer to see the light of day, however. Debate is continuing over a proposal for a share transaction tax, which would replace a controversial capital gains tax introduced with drastic consequences for prices last autumn. Some observers believe the sales tax will be watered down from 2 per cent originally mooted to less than 1 per cent because of investors' opposition.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
B.F.C.E. 8⅛ 94	175	98½	98⅞	-0⅛	-0⅛	8.72
B.F.C.E. 9¼ 95	150	102	102½	-0⅛	-0⅛	8.75
Brit. Tel. Fin. 9⅞ 98	250	103⅛	103⅝	-0¼	0	8.81
Canada 9 96	1000	102⅛	102⅝	-0⅛	-0½	8.49
Canadian Pac 10¾ 93	100	*102½	102½	0	0	9.88
C.C.C.E 9¼ 95	300	101¾	102¼	-0¼	-0⅛	8.75
C.N.C.A 9½ 93	150	101⅛	101½	-0⅛	-0⅛	6.01
Credit National 8¼ 93	200	98¼	98⅝	-0⅛	-0¼	8.73
Credit National 7¾ 92	100	96½	97	-0⅛	-0⅛	8.88
Credit National 9½ 92	160	†101⅛	101⅝	-0⅛	-0⅛	8.97
Dai-Ichi Kan 9⅝ 92	150	101¾	102¼	-0⅛	-0⅛	8.84
Denmark 7¾ 92	500	96½	97	+0⅛	+0½	8.61
E.E.C. 7 91	100	96½	97	0	0	8.66
E.E.C. 7¼ 93	250	95¼	95¾	-0⅛	-0¼	8.75
E.E.C. 10 93	140	103½	103⅞	-0⅛	-0⅛	8.73
Eurofima 10⅛ 93	100	†103⅞	104¼	-0⅛	-0⅛	8.71
Elec. De France 9 98	200	101½	101⅞	-0⅛	+0⅛	8.70
Elec. De France 9½ 99	200	104¼	104½	-0¼	+0¼	8.78
Finland 9 96	250	100⅞	101¼	-0¼	0	8.75
Finn.Exp.Cd. 8½ 92	200	99¼	99⅝	-0⅛	+0⅛	8.75
Finn. Exp. Cd. 9⅞ 95	200	102¼	102⅝	-0⅛	0	8.82
Finn. Exp.Cred 10⅛ 91	100	–	–	–	–	–
Ford Motor Credit 8 91	250	†98¾	98⅞	0	+0⅛	8.95
Gen.Elec.Cap.Corp. 9 93	500	†100⅝	101⅛	-0⅛	0	8.72
Gen.Elec.Cap.Crp.10 1/2 91	300	101¾	102⅛	-0⅛	-0⅛	8.93
G.M.A.C. 9 96	300	99⅝	100⅛	-0⅛	0	9.01
Gen.Mtrs.Corp. 9⅛ 92	200	100⅝	101	-0⅛	-0⅛	8.84
IBM Credit Corp. 8⅞ 91	250	100⅛	100⅛	-0⅛	0	8.58
IBM Credit Corp. 9 92	250	101⅛	101⅝	-0⅛	+0⅛	8.41
IBM Credit Corp. 9½ 92	250	101⅞	101⅞	-0⅛	+0⅛	8.68
IBM Credit Corp. 10 92	200	103	103⅜	-0⅛	0	8.58
Italy 9½ 95	1000	103⅛	103½	-0⅛	+0⅛	8.78
Italy 9⅞ 99	1000	104⅝	105	-0⅛	+0⅛	8.83
Itoh C. W/W 4⅝ 94	1000	99¾	100¼	+0½	+0⅛	4.59
Japan Dev. Bank 10 96	200	105½	105⅞	-0½	0	8.83
L.T.C.B.of Japan 9¼ 92	200	100⅝	101⅛	-0⅛	-0⅛	8.90
Metropolis Tokyo 9½ 93	200	101⅞	102⅜	-0⅛	-0⅛	8.70
Nippon Tel.&Tel. 9⅞ 98	250	103¼	103½	-0⅛	+0¼	8.81
Norway 8¼ 93	500	100⅛	100⅝	-0⅛	-0⅛	8.59
Portugal 8⅞ 91	300	†98	98½	-0⅛	0	9.48
Prudential Crp. 8⅞ 94	125	99¼	100⅛	-0⅛	0	8.74
Sumitomo Bank 9⅝ 92	150	†101⅜	102¼	-0⅛	-0⅛	8.84
Sumitomo Corp. W/W 4 93	1500	107⅝	108⅜	+0⅛	+1½	1.72
Sweden 8¾ 96	200	100¼	100⅝	-0⅛	-0⅛	8.65
Sweden 8½ 92	200	†98½	99	-0½	-0⅛	9.00
Toyota 9½ 91	200	101½	102¼	+0⅛	+0⅛	8.57
Toyota Mtr Corp. W/W 4 93	1500	102	103¼	+0⅛	+0⅛	3.23
Victorian Rep 11⅛ 92	150	105¼	105¾	-0⅛	-0⅛	9.11
World Bank 7 92	300	†96¼	96¾	-0⅛	-0⅛	8.67
World Bank 9 97	300	101⅝	102	-0⅛	0	8.68
World Bank 9 93	300	100⅞	101¼	-0⅛	-0⅛	8.66
World Bank 9¼ 98	300	103	103¼	-0⅛	+0⅛	8.73
World Bank 9⅝ 99	500	105½	105¾	-0⅛	+0½	8.71
World Bank 9⅝ 96	300	104⅞	105¼	-0⅛	+0⅛	8.71

Average price change... On day -0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	94⅞	95⅜	-0⅛	-0⅛	7.14
Austria 6¾ 99	750	97½	98⅛	+0⅛	+0⅜	7.07
Bk.Frgn.Econ.USSR 7 96	750	†95	96½	-0⅜	+0½	7.84
Bank of Tokyo 5¾ 93	100	95¾	96¼	-0¼	+0¼	7.09
Commerzbank o/s. 5⅜ 93	300	94½	95½	0	0	7.11
Credit Foncier 6¾ 99	500	97⅞	98¼	+0⅛	+0⅜	8.09
E.I.B. 6¼ 99	600	94¼	94⅝	+0¼	+0½	7.08
E.I.B. 6½ 99	300	95⅛	96¼	+0⅛	+0⅜	7.12
E.I.B. 6⅝ 96	600	97½	98½	+0⅜	+0⅜	7.00
E.I.B. 6⅞ 95	300	99⅞	100⅛	+0⅛	+0⅝	6.92
Euro.Coal& Steel 5⅞ 97	175	93	93½	0	0	7.07
Eurofima 6¼ 96	100	95	95⅝	-0⅛	+0½	7.15
Elec De France 5¾ 97	300	91¾	92⅜	0	-0¼	7.10
Hydro-Quebec 6¾ 99	300	97¼	98⅛	0	+0⅛	7.09
Japan Dev. Bk. 5⅜ 95	300	92	92¼	+0¼	-0⅜	7.06
Japan Finance 5¾ 97	100	92⅛	92¾	+0⅛	0	7.08
I A D.B. 7¼ 99	300	100⅝	101	+0¼	+0⅜	7.13
Ireland 6½ 97	300	95⅛	95⅝	-0⅛	+0⅜	7.30
Ireland 7¼ 99	500	99½	100⅛	+0⅛	+0½	7.28
Malaysia 6¼ 94	150	96¼	96⅞	0	0	7.13
Nat. West BK. PLC 6 98	300	91⅞	92⅝	+0¼	+0⅜	7.23
N.H.L. Finance 6¼ 95	200	†93½	94	+0⅛	-1¼	7.55
Nippon Telg.&Tel. 6 95	400	95¼	95⅞	0	+0⅛	6.39
Oesters. Kontbk. 5 93	300	93¼	94⅛	+0¼	+0⅜	7.19
Portugal 5¾ 92	150	95⅞	96⅝	+0⅛	+0¼	7.24
Portugal 6⅝ 95	150	98⅛	98⅞	0	-0¼	6.94
Privatbanken 5¼ 93	150	93½	94⅛	0	-0⅛	7.31
Royal Insurance 5½ 92	900	95½	96	+0¼	0	7.37
Turkey 6½ 95	500	93⅞	94⅝	+0¼	-0½	7.79
Union Bk.Finland 5½ 94	200	93⅝	94½	-0⅛	0	7.15
World Bank 6 98	500	92⅞	93½	+0¼	+0⅝	7.03
World BK. 6¼ 97	600	95	95⅝	0	-0¼	7.46
World Bank 6¾ 99	600	97¾	98	+0⅛	+0⅝	7.05

Average price change... On day +0⅛ on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†91	91½	0	-2⅛	6.63
Asfinag 5 03	100	†88	89	-0½	-3½	6.26
B.F.C.E. 4½ 98	200	†90½	91	-0¼	+0¾	5.87
B.M.W.Fin.Neth. 5 13	150	†85½	86½	0	+1	6.14
Britannia B/S. 4¼ 94	100	†89½	90¾	+0½	0	6.76
CIR. Int. W/W 3 93	125	†90	90¼	0	-4⅞	5.96
Credit Lyonnais 4¾ 00	100	†89½	90½	0	+2¼	6.04
E.I.B 4⅝ 98	150	†91	92	0	0	5.89
Fletcher Chall. 4⅞ 98	150	†76	76¼	+0⅜	-2¾	8.98
Kobe City 4⅝ 98	150	†89½	90	+0½	-0¾	6.17
Leeds Perm. B/S. 4⅛ 93	200	†91	92	-0½	+0½	6.88
Malaysia 5¼ 98	100	†89¾	90	+0⅜	-1⅜	6.81
Maxwell Comm.Crp. 5 95	150	†86	87	+0½	+3	8.02
Nat. Bk. Hungary 5½ 94	75	†91½	91¾	+0⅜	+0¼	7.48
Nationwide Ang.B/S. 4 93	200	†91	91¼	-0½	-0⅜	6.76
Nippon Telg.&Tel.4¼ 95	200	†91	91½	0	+0½	6.05
Oesters.Ktbk. 5 03	75	†90	92	+0⅜	+0¼	5.97
Prov. Newfoundland 5 03	150	†88	90	-0⅞	-0¼	6.18
Thailand 4⅝ 95	200	†84¾	85	-1	-4⅞	7.97
World Bank 5 03	150	†88	88½	+0⅞	+0⅛	6.29

Average price change... On day -0⅛ on week -0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6½ 91	80	100⅝	101	+0⅛	0	5.43
Canada 5⅝ 93	80	100½	100⅞	0	-0⅛	5.43
Eurofima 5 1995	20	97⅜	97⅞	0	-0⅛	5.50
E.I.B. 4⅞ 93	30	98	98¼	+0⅛	0	5.48
Ireland 5⅛ 93	30	98½	99	0	-0⅛	5.51
Norway 5⅛ 95	50	98⅞	99⅛	0	+0¼	5.33
Sweden 4⅝ 93	50	97⅛	97⅝	+0⅛	0	5.47
World Bank 5⅛ 98	10	97¾	98⅜	+0⅛	+0⅛	5.42
World Bank 7 94	20	105⅞	106⅜	+0⅛	0	5.45

Average price change... On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10¼ 94 C$	150	98	98⅜	0	-0¼	10.75
Abbey Nat. 11⅛ 95 £	100	97⅞	98⅜	-0⅛	0	12.08
Aegon 7¾ 92 FL	100	101	101½	0	0	7.80
Alg. Bk. Ned. 5¾ 93 FL	200	95⅛	95⅝	0	-0⅛	7.28
Austria 7½ 94 ECU	100	95⅞	96⅜	+0⅛	+0⅜	8.55
Bk.Nova Scot.14⅜ 90 A$	75	†95⅞	96⅞	-0⅜	-1¼	17.91
Barclays Aus.13½ 91 A$	100	94⅞	95⅜	-0⅛	-0¼	16.43
Belgium 8⅛ 94 Ecu	150	97⅞	98⅜	+0⅛	+0¼	8.63
BP Capital 9¾ 93 £	100	93⅝	94⅛	-0⅛	-0¼	11.91
British Airways 10 98 £	100	91⅛	91⅝	0	-0¾	11.63
Brit. Telecom 9½ 93 £	150	93⅜	93⅞	-0⅛	-0¼	11.79
Comm.Bk.Aust. 12⅝ 93A$	100	†93	93½	-0⅛	-0⅜	15.08
Comm.Bk.Aus.13¾ 94 NZ$	60	103⅜	103⅞	+0¼	+0½	12.70
Credit Foncier 9 96 Ecu	100	101⅜	101¾	+0⅛	+0¼	8.69
CrLocalFrance 9¼ 92Ecu	100	101½	102⅛	0	0	8.47
Deut.Bk.Aus. 13⅛ 93 A$	125	97	97½	-0½	-0¾	14.24
Deutsche Bk.Fin. 15 94 A$	100	100⅜	100⅞	-0½	-1⅜	14.73
E.I.B. 7 96 LFr	100	†97	98	+0⅜	0	7.50
E.I.B. 9 99 Ecu	150	101⅞	102⅜	+0¼	+0⅝	8.65
Eurofima 7⅞ 94 Ecu	100	96⅝	97⅛	0	+0⅜	8.49
Export Dv.Crp.8⅞ 92Ecu	100	101	101½	+0¼	+0⅝	8.16
Fed.Bus.Dv.Bk. 9 94 Ecu	100	100½	100⅞	0	0	8.78
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97⅞	98⅜	-0⅛	0	10.59
Fed.Bus.Dv.Bk.10½ 93C$	50	†99½	100	-0⅛	0	10.55
Ferrv. Stato 7⅞ 93 Ecu	100	96⅝	97⅛	+0⅛	+0¼	8.75
Ford Cr.Can.10¾ 93 C$	100	†99⅝	100⅛	-0⅛	-0⅛	10.75
Ford Cred.Can.10⅞ 96C$	125	101⅜	101⅞	-0⅛	-0⅛	10.51
Ford Cred.Fund.10⅜ 93£	60	96⅛	96⅝	-0⅛	-0¼	11.88
G.M.A.C.Canada 11 3/4 94C$	100	103⅜	103¾	-0⅛	0	10.70
Heineken 7⅝ 94 FL	150	102⅛	102⅝	0	-0⅛	7.57
Hydro-Quebec 11 99 C$	400	103¼	103½	-0⅛	-0⅛	10.42
I.A.D.B. 7¼ 99 FL	200	†98¼	98¾	0	-0½	7.47
Lloyds Bank 10¼ 98 £	150	92⅛	92⅝	-0⅛	-0⅝	11.66
Lloyds Bank 11¾ 98 £	100	95⅜	96¼	-0⅛	-0¼	12.10
Montreal Tst.10¾ 93 C$	100	†99¼	99⅜	-0⅛	-0⅜	10.89
Nat. Aus. Bk. 14¾ 94A$	100	98⅝	98⅞	-0½	-1⅛	15.12
New Zealand 9½ 93 £	100	92½	93	0	-0⅛	12.05
O.E.K.B. 10¼ 99 C$	150	99⅞	100⅜	-0¼	-0⅛	10.22
Privatbanken 7½ 94 LFr	500	†98	99	+0¼	0	7.89
Royal Bk.Scot.10⅝ 98 £	125	94¼	94⅞	-0⅛	-0⅜	11.70
Saskatchewan 9⅞ 91 C$	150	†97⅞	98¼	-0⅛	-0⅛	11.10
Saskatchewan 10¼ 93 C$	200	99⅛	99½	-0¼	0	10.46
State Bk.NSW. 13⅞ 93A$	100	95	95½	-0½	-0⅜	15.44
Sweden 7½ 93 Ecu	250	96⅜	96⅞	0	+0⅜	8.48
Sweden 15 94 A$	100	101¼	101¾	-0⅜	-0⅜	14.44
Toyota Mtr.Cr.11⅞ 92C$	150	101¼	101¾	-0⅛	0	10.64
World Bank 13⅛ 92 A$	100	98	98⅝	-0⅜	-0⅝	14.17
World Bank 14¼ 94 A$	75	98⅝	99⅛	-0⅝	-1¼	14.56
Zentrspk. 13¼ 93 A$	75	†95⅜	95⅞	-0½	-0¼	14.77

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	100.01	100.06	24/10	14.08
Bank of Greece 99 US	0¼	99.62	99.72	8/03	9¼
Belgium 91 US	0	100.11	100.21	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.96	100.01	30/11	14.06
Credit Foncier 98 US	.063	100.01	100.11	20/10	10.16
Dresdner Finance 99 DM	.031	99.85	99.95	30/10	6.97
EEC 3 92 DM	0	100.18	100.28	22/02	6¾
Halifax BS 94 £	.1	100.16	100.21	9/11	13.97
Invt. In Industry 94 £	0¼	100.09	100.19	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.22	100.27	13/10	14.06
Milk Mkt.Brd. 5 93 £	0⅛	99.99	100.04	29/09	14.31
New Zealand 5 97 £	.07	100.08	100.18	18/11	13.19
Northern Rock 92 £	0½	99.93	99.98	20/01	5¼
State Bk. Nsw. 98 US	.188	100.20	100.30	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.20	100.26	13/10	14.06
Woolwich 5 95 £	0⅛	100.11	100.16	21/11	14.06

Average price change... On day -0.01 on week -0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	124⅛	125⅛	0	4.06
Amer. Brands 7⅞ 02 US	9/87	56.7	128⅝	129⅝	-0¼	-1.09
CBS. Inc. 5 02 US	4/87	200.	103½	104⅝	-0½	3.04
Primerica 5½ 02 US	4/87	66.75	72¼	73¼	0	61.54
Eng.China Clay 6½ 03 £	9/88	4.8	102⅜	103⅜	+0¼	5.32
Fujitsu 3 99 US	5/84	1106.	217⅝	218⅝	+3⅞	-0.38
Ladbroke 5¼ 04 £	6/89	7.1	107¼	108¼	+0½	122.39
Land Secs. 6½ 02 £	6/87	6.72	97	97½	0	14.08
Minolta Camera 2¼ 94DM	2/86	1004.	109¾	111⅛	0	24.30
MCA Inc 5½ 02 US	9/87	69.62	100	101	0	11.72
Mitsubishi Bk. 3½ 04US	5/89	3266.	92	93	+0½	3.04
Next Plc 5¾ 03 £	11/87	4.3	101	102	+0¼	230.64
Nikko Mtge.Bk.2¾ 03 US	4/88	804.	123¾	124¾	+7¼	3.75
Omnicom Inc. 6 1/2% 04 US	10/89	28.	102¼	103¼	0	19.08
Omron Tateisi 2⅝ 02 US	4/87	1318.	264	265	0	1.21
Ranks Hovis 4¾ 03 £	11/88	3.5	125	126	0	-4.54
Redland 7¼ 02 £	11/87	5.4	106	107	-0½	1.61
Saatchi&Sachi.6¾ 03 £	10/89	4.41	93½	94½	0	32.02
Silicon Graphics 8 04 US	10/89	23.18	109	110	+0¼	19.36
Sumitomo Bank 3¼ 04 US	2/89	4296.	82¼	83¼	+0½	17.24
Texas Inst. 2¾ 02 US	9/87	82.87	77	78	0	61.05
Utd.Newspapers 8 04 £	10/89	8.77	114½	115½	+2½	103.41
W.R. Grace 6¼ 02 US	9/87	42.12	98⅛	99⅛	+0¼	17.43

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Charterhouse to launch buy-out fund

By Nikki Tait

CHARTERHOUSE, the UK merchant bank, is launching a £100m fund, which will invest in corporate restructurings, recapitalisations and management buy-outs and buy-ins in Continental Europe.

The fund, Charterhouse European Partners, is being formed in conjunction with five Continental organisations – four of which already have formal links with Charterhouse.

These include Matuschka Group, an independent West German financial services group in which Charterhouse holds a stake of around three per cent; Basinvest, the "merchant bank" set up in late-1987 by Banco di Sicilia, and in which Charterhouse is a shareholder; the Banco Santander Group of Spain, with which Charterhouse recently formed an alliance; and the Swedish Alven Forvaltnings investment company, which Charterhouse set up, together with two Swedish industrialists, in 1986.

The fifth partner is Credit National Group in France, which undertakes a mixture of commercial banking, equity investment and corporate advisory work.

These organisations, the founder limited partners, plus Charterhouse are putting up about 35 per cent of CEP's funds. The balance is coming from a couple of Japanese organisations, three US investors, and a number of other UK and European institutions.

The aim is to make around 12 to 15 significant investments, but Charterhouse stresses that the fund will not be concentrating principally on MBOs.

Credit rating first for ABC

By Andrew Freeman

ARAB Banking Corporation (ABC) has become the first Middle Eastern bank to receive an international credit rating, following an announcement yesterday by Standard & Poor's (S&P), the US rating agency.

S&P has assigned an A- rating to ABC's long-term certificates of deposit (CDs) and senior long-term Eurobonds, while the bank's short-term CDs are rated A-2.

S&P said the rating was based on the bank's position as one of the leading financial institutions in the Middle East, its ownership by the governments of Abu Dhabi, Kuwait and Libya, its strong management system and the good quality of its commercial loan portfolio. The main offsetting factor was ABC's large portfolio of rescheduled loans to developing countries.

INTERNATIONAL CAPITAL MARKETS

Eurobonds boosted by flurry of new issues

By Andrew Freeman

INTERNATIONAL BONDS

A LATE FLURRY of new issue activity thrust the Eurobond market forward yesterday, while behind the scenes the market practices committee of the International Primary Markets Association was meeting to discuss recent developments of syndication procedures in the dollar sector.

Paribas Capital Markets was the lead manager of a $175m reopening of an earlier five-year deal for Oesterreichische Kontrollbank (OKB) brought by JP Morgan, taking the issue size to $300m. Yesterday's bonds were reoffered at a spread of 45 basis points over the equivalent Treasury, in line with the existing paper.

There was general comment that the terms were tight, an opinion partly conceded by Paribas which pointed out that the deal was a reopening.

Most comment, however, concerned the underwriting fee, which was fixed at ¼ point. Until now, US-style fixed price reofferings have allowed ⅜ point fees for syndicate members.

Three leading houses are understood to have declined the OKB deal because they were unwilling to contradict their representations to potential clients that reofferings would have fixed fees of ⅜ point.

Paribas said it had discussed the question of the fee with both the borrower and its rivals, and had decided on ¼ point on the joint grounds that it was not a completely new deal and that fees should be negotiable on a deal-by-deal basis. Although the lead manager would not elaborate, it is thought the proceeds were swapped into fixed-rate yen.

Bankers Trust brought a C$200m five-year deal for General Electric Capital (Canada) (GECC), guaranteed by the parent company. As the underlying government market fell away, the GECC bonds were trading on fees at less 1⅞ bid, a spread against Canadian Treasuries of around 52 basis points, inside the launch spread of around 57 basis points.

At that level, traders said the paper was tight, and it is understood that some houses declined their invitations. However, they said the combination of the name and the guarantee should ensure the deal's ultimate success, and that there would be good institutional demand in Europe and Canada at lower levels. Proceeds were swapped into floating-rate Canadian dollars.

In Germany, the first Eurobond issue for the European Patent Organisation, a Munich-based agency currently supported by 13 countries, was brought by Dresdner Bank. The DM150m 10-year deal offered a 7¼ coupon and was priced at 101⅝.

Dresdner was quoting the paper outside fees at less 1.95 bid, amid comment from other leading German banks, most of which declined their invitations, that the terms were extremely tight. The decision to classify the borrower as a supranational aroused mixed views, with some bankers querying the status for such a new organisation in the market. Top supranational borrowers like the World Bank pay no listing fees, while others pay reduced listing fees.

Elsewhere, Creditanstalt-Bankverein launched a C$100m five-year deal for itself, of which C$50m remains on tap. The bonds, issued at 57 basis points over Canadian Treasuries, were trading on fees at less 1¾ bid. Proceeds were swapped into floating-rate US dollars.

Fay Richwhite increased to NZ$75m Wednesday's NZ$50m deal for Telecom Corporation of New Zealand, amid speculation that it may have over-syndicated the original deal. This was strongly denied by the lead manager.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Oest. Kontrollbank(e)♦	175	9¼	101.80	1994	¼	Paribas Capital Markets
NEW ZEALAND DOLLARS						
Telecom Corp. N.Zealand(b)♦	75	13⅞	101.95	1992	1½/1	Fay Richwhite
CANADIAN DOLLARS						
General Elec.Cap(Canada)(a)♦	200	10⅞	101⅝	1994	1⅞/1¼	Bankers Trust Int
Creditanstalt-Bankverein(c)♦	50	10⅞	101½	1994	1⅞/1¼	Creditanstalt-Bankverein
SWEDISH KRONA						
Swedish Export Credit(a)♦	300	11⅛	101½	1992	1⅜/⅞	Svenska International
D-MARKS						
European Patent Org.(a)♦	150	7¼	101⅞	1999	1⅞/1¼	Dresdner Bank
YEN						
ASLK-CGER IFICO(d)♦	3bn	5.925	101⅛	1991	1⅛/⅝	Nippon Credit Int.

♦Final terms. a) Non-callable. b) Issue increased from NZ$50m. c) Additional C$50m on tap. Non-callable. d) Redemption linked to Nikkei stock index. Non-callable. e) Fungible with existing $175m issue.

Treasuries recover as Fed funds rate dips steeply

By Karen Zagor in New York and Rachel Johnson in London

GOVERNMENT BONDS

US TREASURIES yesterday retraced some of their previous day's losses in quiet mid-session trading.

In the early afternoon, the bellwether 30-year bond was up ⅛ point at 99$\frac{13}{32}$, yielding 8.14 per cent. At the short end of the yield curve, the two-year issue was unchanged, yielding 8.26 per cent.

Fed funds, the rate at which banks lend to each other, traded at 8$\frac{11}{16}$ per cent through the early afternoon.

Some analysts were surprised that the funds had fallen so far from Wednesday's 9¾ per cent. The dollar fell slightly. At mid-day the US currency was changing hands at Y145.35 and DM1.9445 in light trading in New York.

Treasuries received some support from the downward revision of second-quarter GNP growth to 2.5 per cent from 2.7 per cent.

Wall Street had not expected this second revision to the GNP figure, which had been adjusted up from 1.7 per cent in late August.

The debt market is now waiting for today's release of personal income and consumption spending for August. Personal income is widely expected to rise by 0.3 per cent while expenditure is expected to increase by 0.8 per cent.

■ THE BUNDESBANK policy meeting came and went yesterday leaving the German government bond market little changed.

There was some nervous selling ahead of the meeting, though the central bank's decision not to raise interest rates for the time being came as no surprise. "Rates are certain to go up another 50 basis points at some stage. The fundamentals demand it," one analyst noted.

The market experienced low volumes and a slight easing in prices during the day. In the cash market, the 6½ per cent bund due January 1999 ended to yield 6.90 per cent, very slightly up on the day before.

■ THE FRENCH Treasury bond market also had a sluggish day. "It's a horribly slow time. We still seem to be in the summer doldrums," one dealer said. Investors continued to be drawn to the German and US bond markets. Prices remained steady. On the Matif futures exchange, the December bond contract was quoted down eight basis points at 108.06 at the end of the day, after a morning low of 107.8.

■ THE UK government bond market opened ¼ point lower, which dealers blamed on over-bearish comment in the press following Wednesday's money supply and industrial output figures.

Gilt futures drifted ⅛ point lower in the morning, then a further $\frac{3}{32}$, while the cash market eased ¼. "It can't be called a very reactive market," one analyst said.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-28	-3/32	11.14	11.10	10.61
		9.750	1/98	96-16	-2/32	10.38	10.33	9.93
		9.000	10/08	96-00	-3/32	9.46	9.42	9.14
US TREASURY *		8.000	8/99	98-31	+3/32	8.15	8.10	8.30
		8.125	8/19	99-25	+7/32	8.14	8.10	8.18
JAPAN	No 111	4.600	6/98	95.6447	+0.001	5.33	5.34	5.05
	No 2	5.700	3/07	105.0627	+0.096	5.15	5.16	4.97
GERMANY		6.750	6/99	99.1500	-0.200	6.87	6.93	6.78
FRANCE	BTAN	8.000	7/94	98.5822	-0.073	8.89	8.88	8.68
	OAT	8.125	5/99	97.0700	-0.040	8.57	8.57	8.48
CANADA *		9.500	10/98	99.7000	-0.100	9.55	9.52	9.45
NETHERLANDS		7.250	7/99	100.3200	-0.040	7.20	7.23	7.13
AUSTRALIA		12.000	7/99	92.1765	-0.687	13.45	13.10	13.00

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Simex takes on Tokyo with Euroyen short future

By Katharine Campbell

THE SINGAPORE International Monetary Exchange plans to launch a short-term Euroyen future, effectively challenging an almost identical contract established in Tokyo earlier this year.

Terms of the three-month future, to be introduced on October 27 as Simex moves into new premises, differ from the contract on the Tokyo International Financial Futures Exchange only in so far as settlement terms are priced off the Singapore interbank offered rate (one hour earlier to coincide with Tokyo).

The Tiffe product is the new exchange's one successful contract, averaging a healthy 35,000 lots a day. But some potential customers of Simex have complained about the inadequacies of the trading system in Tokyo – described as "primitive" by one Japanese banker in London.

While the order matching system is itself performed electronically, members at present have to feed orders over the telephone to exchange officials – a cumbersome arrangement that will apparently take Tiffe some time to alter.

Simex's president Mr Ang Swee Tian said that a number of Japanese institutions outside Tokyo had approached the exchange with the idea of listing another Euroyen future. "They are quite happy with the liquidity our trading system provides" he noted.

The ten most active traders in the new product during its first three months will share between them the proceeds of the exchange's clearing fees.

Since Tiffe was established in June, it has been eyed as an important competitor, although the Tokyo exchange has so far been unable to wrest much Eurodollar related business from Singapore, which trades an average of between 15,000 and 20,000 Eurodollar futures contracts a day. Simex is having to run hard to keep abreast of its Japanese competition in the derivatives area, and will also find it hard to turn to its own advantage the development of after-hours electronic trading systems around the world.

Germans back down on capital plans

By Richard Waters

THE INTERNATIONAL initiative to harmonise the capital requirements for securities firms appeared to have been salvaged yesterday when the Federation of German Stock Exchanges backed down from its outright opposition.

However, it will not become clear until next month whether the proposals can be altered to reflect the German views without throwing away all pretence to harmonisation.

IOSCO CONFERENCE

The initiative was threatened when the Federation demanded a report on the subject, to be presented at the annual conference of the International Organisation of Securities Commissions (Iosco), be returned to the drawing board.

However, the report was published as planned yesterday. It was presented to the conference by Mr Jeffrey Knight, chief executive of London's International Stock Exchange and chairman of the working party which produced the report. The publication followed intense last-minute negotiations between the German and British camps. As part of a deal to gain German support, Mr Knight agreed to make the German views clear to the conference. He also altered the wording of a resolution to be put to the conference on the report, apparently leaving room for the preferred German method of assessing capital adequacy to be added at a later stage.

Further talks will be held next month to find ways of altering the proposals to meet the German complaints. Mr Knight privately expressed confidence earlier this week that it would be possible to patch up differences.

The dissension arises from diversity in existing national methods of assessing capital adequacy. The system used in the US and UK, and which was recently adopted in Japan, favours a risk-based approach. This involves looking at the level of risk arising from a firm's exposure to the market, to default from clients, and so on. Hedging reduces the level of risk, and hence the capital backing needed.

The German approach arises from the fact that securities business is conducted through the country's banks and so is regulated by the banking authorities. These tend to focus on credit risk, and impose a minimum level of capital backing for securities businesses. The German Federation claims, by adopting the risk-based approach, Iosco is harming the country's universal banks by putting them at a disadvantage to non-bank securities firms.

The report provides a framework for assessing capital adequacy. It was set out in general terms to win support within Iosco and is intended to be refined in future to narrow the scope for difference.

The capital adequacy test should take into account three different types of risk:

- A base requirement to cover unmeasurable risks.
- Position (or market) risk. Any assessment of this would take account of the volatility of share prices and the extent to which a firm hedges its exposure. It also depends on the size of each position compared to the total market for the particular security, since a large stake is difficult to liquidate without depressing the price.
- Settlement risk. This takes into account the risk of a counterpart defaulting before a deal is settled. It depends in part on the settlement system since there is less risk when there is simultaneous exchange of money and securities.

The document does not specify what should count as capital (in particular, whether securities firms should be able to add in subordinated loans).

The UK yesterday failed in its attempt to become an active Iosco member. The organisation voted to allow the Department of Trade and Industry only non-voting affiliate status. The DTI, which had wanted the more significant associate membership, is understood to have been turned down because Iosco's presidents committee did not want to encourage other governments to apply. The DTI had argued it was a special case, since it directly regulates some aspects of the securities industry.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Sep 21 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Sep 20 Index No.	Tue Sep 19 Index No.	Mon Sep 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	989.76	+0.6	11.87	4.21	11.06	29.34	983.72	978.80	981.11	771.83
2 Building Materials (29)	1194.58	+0.5	12.59	4.54	9.92	29.17	1189.87	1173.89	1166.64	962.47
3 Contracting, Construction (37)	1680.15	+0.4	15.18	4.71	8.60	41.25	1594.45	1573.45	1569.28	1533.56
4 Electricals (9)	2928.80	+0.5	8.63	4.88	14.44	55.83	2911.82	2905.51	2916.53	2146.25
5 Electronics (30)	2179.57	+1.4	8.91	3.37	14.49	48.92	2149.59	2145.84	2208.96	1652.78
6 Mechanical Engineering (56)	538.18	[illegible]	10.35	4.19	11.80	12.43	538.15	537.26	538.43	483.81
8 Metals and Metal Forming (6)	522.28	+0.6	15.71	5.21	7.59	15.15	519.08	528.65	523.13	476.87
9 Motors (18)	373.47	+1.2	9.84	4.37	12.98	9.64	369.12	364.53	357.49	272.38
10 Other Industrial Materials (23)	1813.51	+0.5	9.08	4.13	15.00	58.40	1804.25	1788.92	1794.81	1318.67
21 CONSUMER GROUP (184)	1574.15	+0.1	8.83	3.19	15.41	29.49	1572.46	1567.59	1577.76	1043.64
22 Brewers and Distillers (22)	1515.06	+0.2	8.77	3.25	14.27	25.65	1518.58	1510.80	1528.84	1083.26
25 Food Manufacturing (20)	1195.88	+0.4	8.68	3.55	14.54	23.38	1190.82	1186.72	1192.28	948.92
26 Food Retailing (14)	2651.58	+1.1	7.66	2.61	17.27	38.73	2622.09	2624.11	2628.09	1843.08
27 Health and Household (14)	2614.04	+1.3	5.91	1.82	19.93	22.32	2606.52	2598.73	2648.23	1847.55
29 Leisure (34)	1810.85	-0.4	7.18	3.12	17.17	32.46	1817.45	1805.59	1811.85	1316.83
31 Packaging & Paper (15)	682.67	-0.9	10.31	4.32	12.85	15.78	687.86	688.41	616.60	509.54
32 Publishing & Printing (19)	3859.34	+0.1	8.21	3.26	15.43	98.58	3856.91	3781.86	3798.39	3271.49
34 Stores (32)	884.80	-0.3	9.74	4.17	13.41	18.54	887.39	885.36	890.81	751.54
35 Textiles (14)	586.98	+0.4	10.15	4.99	11.77	15.40	584.91	585.99	594.99	505.87
40 OTHER GROUPS (93)	1215.13	+0.6	9.67	3.90	12.56	25.42	1207.99	1205.75	1206.88	871.98
41 Agencies (17)	1578.01	+1.0	6.77	2.24	18.23	23.12	1563.13	1555.82	1566.78	1059.40
42 Chemicals (22)	1333.16	+0.3	11.15	4.68	10.57	41.28	1329.81	1324.49	1327.50	1034.52
43 Conglomerates (13)	1733.85	+0.2	8.68	4.71	14.35	38.94	1729.31	1724.39	1716.54	1199.26
45 Transport (13)	2437.10	+0.2	9.88	3.83	14.11	44.09	2433.44	2431.42	2436.36	1859.80
47 Telephone Networks (2)	1180.41	+0.7	10.57	4.21	12.57	22.30	1171.99	1167.78	1175.29	953.98
48 Miscellaneous (26)	1965.85	+1.2	8.90	3.24	12.77	44.32	1943.40	1958.29	1937.46	1378.37
49 INDUSTRIAL GROUP (485)	1245.30	+0.3	9.20	3.84	13.27	25.35	1241.90	1237.55	1242.67	998.60
51 Oil & Gas (15)	2246.25	+0.2	9.65	5.04	13.16	86.44	2241.80	2239.15	2253.41	1760.88
59 500 SHARE INDEX (500)	1331.43	+0.4	9.33	3.86	13.33	30.10	1326.75	1322.51	1328.38	1068.29
61 FINANCIAL GROUP (121)	815.61	+0.5	-	5.38	-	24.38	811.59	810.21	812.66	674.57
62 Banks (9)	857.02	+1.0	20.62	5.96	6.38	34.80	848.43	824.35	827.54	659.24
65 Insurance (Life) (8)	1232.09	[illegible]	-	5.21	-	45.37	1233.86	1218.36	1211.29	[illegible]
66 Insurance (Composite) (7)	670.42	+0.4	-	5.64	-	24.69	667.75	667.03	673.70	526.43
67 Insurance (Brokers) (7)	987.20	+1.0	7.48	6.29	17.59	44.55	977.67	984.73	988.40	954.58
68 Merchant Banks (10)	482.85	+0.7	-	3.31	-	9.45	480.16	[illegible]	[illegible]	[illegible]
69 Property (49)	1345.86	-0.2	6.55	2.99	19.46	19.81	1347.34	1348.03	1352.38	1168.03
70 Other Financial (31)	366.33	+0.6	10.91	5.59	11.79	18.74	364.20	362.77	363.46	309.74
71 Investment Trusts (69)	1271.96	+0.1	-	2.45	-	19.94	1270.48	1272.31	1273.25	981.81
81 Mining Finance (1)	741.64	+1.9	10.26	3.63	10.95	22.25	727.51	712.13	713.41	594.53
91 Overseas Traders (8)	1461.22	[illegible]	9.88	5.27	12.48	43.67	1460.98	1469.29	1478.04	1258.43
99 ALL-SHARE INDEX (699)	1206.32	+0.4	-	4.01	-	28.93	1201.74	1198.20	1203.10	925.92

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 20	Sep 19	Sep 18	Sep 15	Sep 14	Year ago
FT-SE 100 SHARE INDEX♦	2380.9	+11.1	2380.9	2365.4	2369.8	2361.5	2373.8	2366.5	2382.8	1788.7

FIXED INTEREST

PRICE INDICES	Thu Sep 21	Day's change %	Wed Sep 20	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	117.02	-0.04	117.06	-	9.42
2 5-15 years	132.58	-0.10	132.70	-	9.56
3 Over 15 years	141.78	-0.16	142.00	-	11.64
4 Irredeemables	165.72	+0.02	165.68	-	8.83
5 All stocks	130.00	-0.08	130.10	-	9.88
Index-Linked					
6 Up to 5 years	140.03	-0.15	140.24	-	2.26
7 Over 5 years	138.34	-0.19	138.61	-	2.89
8 All stocks	138.35	-0.19	138.61	-	2.82
9 Debentures & Loans	111.98	-0.28	112.10	-	7.35
10 Preference	89.07	-	89.07	-	4.77

AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 21	Wed Sep 20	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.81	9.77	9.96
2	15 years	9.58	9.55	9.60
3	25 years	9.27	9.26	9.28
4 Medium Coupons	5 years	10.74	10.72	10.35
5	15 years	10.25	10.21	[illegible]
6	25 years	9.41	9.40	9.55
7 High Coupons	5 years	10.85	10.83	10.49
8	15 years	9.99	9.97	9.98
9	25 years	9.57	9.56	9.52
10 Irredeemables		9.31	9.31	9.22
Index-Linked				
11 Inflation rate 5%	5yrs.	3.16	3.10	3.48
12 Inflation rate 5%	Over 5 yrs.	3.54	3.53	3.92
13 Inflation rate 10%	5yrs.	2.38	2.34	2.34
14 Inflation rate 10%	Over 5 yrs.	3.37	3.35	3.74
15 Debs & Loans	5 years	12.95	12.95	11.65
16	15 years	12.02	12.01	11.36
17	25 years	11.50	11.47	11.13
18 Preference		10.37	10.37	10.27

♦Opening index 2375.3; 10 am 2376.3; 11 am 2372.7; Noon 2371.5; 1 pm 2366.0; 2 pm 2365.4; 3 pm 2369.2; 3.30 pm 2370.0; 4 pm 2373.6 (a) 5.00pm (b) 1.41pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	91	13
Corporations, Dominion and Foreign Bonds	2	7	33
Industrials	333	437	824
Financial and Properties	134	133	399
Oils	11	42	38
Plantations	0	0	9
Mines	41	43	90
Others	44	105	107
Totals	566	858	1,513

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 11
- Last Dealings Sep 22
- Last Declarations Dec 7
- For settlement Dec 18

For rate indications see end of London Share Service

Calls in Hughes Food, Butte, Control Secs, Fairbriar, Eglington, Allied Res, Tusker, J. Finlay, Edmond, Harmony Grp, Vista, West Inds, P & O Wrnts, Richmond Oil P/C Atlantic Res.

LONDON TRADED OPTIONS

British Steel options were the most actively traded yesterday, recording their busiest day in more than 3 months. The underlying security turned over 8.2m shares prompting brisk derivative turnover.

Turnover amounted to 5,389 contracts, divided between 2,135 calls and 3,254 puts, with the April 135 puts the most active series, trading 2,550 contracts.

Traders said interest had been boosted by the approach of the second payment on British Steel shares, due September 26. British Steel's strong showing pushed total options volume to 36,818 contracts compared with 28,343 on Wednesday. Of these, 21,086 were calls against 15,730 puts.

Jaguar options were traded briskly as takeover rumours swirled around the market. European and Japanese firms were mentioned as possible rivals to Ford, which has already said it will take a 15 per cent stake in the company. Jaguar traded 3,389 contracts, and were divided between 2,560 calls and 829 puts. The October 550 call was the most active series, turning over 538 contracts. Asda was again the subject of takeover talk, making it the third most widely-traded company option. It traded 1,964 contracts, including 1,949 calls but just 15 puts.

Uncertainty about the next move by the stock market depressed volumes on the FT-SE 100 option. Traders said until it became clear whether the bearish sentiment about the UK stock market was misplaced or not activity would remain low. Total underlying FT-SE volume amounted to 7,491 contracts, compared with 8,566 on Wednesday. Of this, 2,844 calls were traded and 4,647 puts.

Elsewhere, takeover rumours boosted volumes, with BAT trading 1,949 contracts, including 1,107 calls and 842 puts. The most active series were November 850 calls. United Biscuits turned over 1,434 contracts, of which 30 were calls and 1,404 puts.

[illegible]

RMC up 34% despite housebuilding downturn

By Andrew Taylor, Construction Correspondent

RMC Group, the world's biggest producer of ready-mixed concrete, increased pre-tax profits by 34 per cent to £115.5m during the first six months of this year.

The rise reflected a big increase in West German profits and further growth in UK construction output, in spite of a sharp fall in housebuilding.

Mr Jim Owen, managing director, said UK profits would grow more slowly in the second half with high interest rates expected to have a greater impact on housebuilding and sales of DIY products.

UK operating profits rose by 28 per cent to £67.2m. This was mainly due to a 6 per cent increase in concrete volume and a 5 per cent increase in aggregate sales. Mr Owen said only a fifth of the group's UK concrete sales went into housing.

He said there was concern that high interest rates might curtail UK commercial and industrial development next year but there was no sign of that yet.

Nonetheless he did not expect UK concrete and aggregate sales would grow much during the next 18 months.

The group was optimistic about prospects in West Germany, where RMC is the largest concrete producer. Profits there jumped from £11.2m to £21.5m in the first half.

Mr Owen said the West German construction market had been in the doldrums since 1985 but had staged a strong recovery this year.

Sales of concrete in West Germany were expected to increase by about 9 per cent this year. Sales in France would also rise this year but only by a small amount next year. RMC is one of the two largest concrete producers in France.

It also has interests in the Netherlands and Spain, Europe's fastest growing construction market.

First half profits in the US were hit by industrial action at its joint venture with Lone Star in California and by exceptionally wet weather in the eastern states.

This also curtailed profits from Blue Circle, the UK's largest cement manufacturer, which also has investments in this part of the US.

Turnover at RMC rose from £992.4m to £1.2bn while earnings per share increased 26 per cent to 32p. The interim dividend is 5.8p (4.6p).

See Lex

Jim Owen: optimistic about prospects in West Germany

Rival enters tussle for control of MTS

By John Ridding

THE PHONEY war for control of Meat Trade Suppliers broke into open conflict yesterday as Twigrealm, a newly formed vehicle, launched a rival offer to the recommended reversal into MTS by Alpha Gamma, the property developer.

Twigrealm is headed by Mr Freddy Hirsch, a South African butcher's supplier and Mr Stephen Wingate, a property developer. It has the backing of Mr William Anstis, MTS' 83-year old former chairman.

Twigrealm yesterday offered 350p cash for every MTS share, valuing the company at £9.18m.

Only the previous day, Alpha Gamma raised its own partial offer to 372p for two out of every five MTS shares, with MTS to pay simultaneously £12.55m to acquire Alpha Gamma.

MTS rejected Twigrealm's offer, describing its as "unwelcome" and "derisory".

Twigrealm said Alpha Gamma's proposals should be rejected because shareholders would lose control of MTS without being able to realise their investment in full.

They argue that even if the stock market values MTS shares at the pro-forma net asset value of 275p per share, then shareholders who are unable to achieve a full disposal of their holdings through the partial offer could stand to lose.

Twigrealm says that for every 100 shares held only 40 can be certainly sold under the partial offer. With the balance valued at 275p each the value of the original holding would be £313.8, compared with their own offer of £350.

Alpha Gamma and the board of MTS claim that should shareholders wish to sell their entire holdings they will probably be able to do so because of indications of support from institutional investors and that on flotation the shares would be valued in excess of 372p.

Twigrealm currently holds irrevocable undertakings to accept the offer with respect to about 24.5 per cent of the existing MTS shares.

Multi-million pound car boot sale

Hugo Dixon looks at the parts Ferranti may need to offload

ANYBODY INTERESTED in buying cluster bombs, petrol pumps, industrial lasers or pocket phone businesses might be advised to contact Baring Brothers, Ferranti International Signal's merchant bank adviser.

This follows yesterday's statement from the defence electronics group that it was hoping to raise about £100m from the sale of some of its peripheral businesses.

Ferranti has been forced to make these disposals as a result of the suspected fraud in its International Signal and Control (ISC) subsidiary, which could knock a £150m hole in its balance sheet.

Although Ferranti failed to specify which businesses it was looking to sell, it would seem that everything apart from its main electronic systems businesses – Ferranti Defence Systems and Ferranti Computer Systems – is potentially open to offers.

The prime candidates for disposal are two parts of the ISC inheritance which are fairly low-tech and have never been fully integrated into the Ferranti group.

● Marquardt, which is best known for making the Rockeye cluster bomb. The company, based in California, is also a supplier for "Big-Eye", a top secret chemical weapons project, and the Combined Effects Mission, a follow-on from Rockeye.

Other US defence contractors, such as Aerojet, Pratt & Whitney and Rockwell, which all use Marquardt as subcontractors could be interested in buying it. It has turnover of about $120m (£76m) a year, is profitable and might sell for £70m.

● ISC Defence Systems, based in Lancaster, Pennsylvania. This makes fuses and printed circuit boards for the defence industry, although analysts doubt whether it has much value as a going concern particularly after the current fraud scandal.

Its assets, however, could be of interest to a company supplying components to the civilian electronics industry and and it might therefore sell for $30m to $40m – if a buyer could be found.

There are a number of other businesses, which are not absolutely central to Ferranti's defence electronics activities, but which the company would in normal circumstances probably prefer to keep.

● Ferranti Industrial Electronics. This is a mish-mash of businesses, based in Dundee, which have never made much money because they are all too small in their respective markets.

Under the umbrella of Industrial Electronics are businesses making petrol pumps, microwave repeaters, software for computer-aided engineering systems and industrial lasers.

There would probably not be a single buyer for all these businesses, although one large group might be prepared to acquire them and then sell on the parts it did not want. Total receipts could be about £45m, analysts suggest.

● Ferranti Business Communications, with turnover of about £25m, is a distributor of telecommunications switchboards in the UK.

It could be attractive to any body wishing to get close to business telecoms users. The main candidates would be Mercury Communications, which bought Telephone Rentals – a similar but larger business – last year, and companies positioning themselves for the Government's major review of telecoms policy next year, which is expected to lead to further opening up of the market.

● A number of companies, based in the UK, which fall under the Ferranti Instrumentation umbrella. These include Mitchell Hydraulics, which makes seals for submarines; Weapons Equipment, which manufactures bomblets to go inside cluster bombs; and aircraft equipment. Possible acquirers are other UK defence suppliers such as Lucas, Astra and Hunting.

● Elmer and Laben, two Italian defence businesses which are also part of the ISC inheritance.

Elmer makes radio communications equipment and Laben manufactures space and nuclear electronics measurement systems.

Ferranti has already sold 50 per cent of these to Aeritalia and it is thought the Italian aerospace group probably has an option to buy the remaining half stake. The sale price could be £40m.

● OTE, another Italian company from the ISC stable. This makes communications systems for the police and fire brigade, traffic control systems and cellular radios.

OTE could be of interest to any of Europe's major telecoms groups interested in getting a foothold in Italy – such as Alcatel of France, Siemens of West Germany and Ericsson of Sweden. It might fetch £50m.

● Zonephone, the group's telepoint operation. Ferranti pioneered the concept of telepoint, which allows people to make calls from tiny pocket phones provided they are within 100 metres of base stations.

It was awarded one of four UK licences to operate telepoint services earlier this year, but it has been slow to build the necessary infrastructure – partly because it has been strapped for cash.

Zonephone might be of interest to Racal Telecom, the UK's leading mobile communications company. It was not awarded a telepoint licence. As part of any sale, venture capitalists who hold a 40 per cent stake in the company would have to be bought out. The total consideration could be as much £80m, meaning Ferranti could receive nearly £50m.

Brent Walker doubles to £30m

By Lisa Wood

BRENT WALKER, the fast growing leisure and property group which recently bought the William Hill and Mecca betting shops, almost doubled pre-tax profits to £30.04m for the six months to July 16.

The rise from £15.39m exceeded the most optimistic City forecasts.

Extraordinary profits of £39.47m arose from casino disposals. Pub disposals worth £9.5m were taken above the line in trading profits for the brewing and leisure division. Interest charges were £18.67m, against £1.23m last year.

Turnover of £203.02m compared with £52.14m, and operating profits were £48.11m against £16.45m.

Earnings per share jumped to 39.17p (15.01p), and the interim dividend is raised to 5p (4p).

The brewing and leisure division boosted its contribution to trading profits from £5.1m to £38.9m. Savings of about £4m were made from the closure of the Tolly brewery in Ipswich, one of the Tolly Cobbold and Cameron breweries bought last year from Ellerman. Ninety per cent of Whyte & Mackay, the whisky company, is being sold in a management buy-out for £161m.

The lower contribution of £2.9m (£6.5m) from the stadiums and clubs division reflected the sale of six casinos. Turnover at the International Sporting Club increased because the level of stakes was reduced.

Brent Walker said the 119 betting shops bought from Grand Metropolitan in January had proved extremely worthwhile.

Leisure developments contributed £5.5m, compared with £4.3m last year.

Goldcrest, which is being sold to a management-buy out team, increased its profit from £2.1m to £2.9m.

● COMMENT

A £9.5m profit taken above the line from the disposal of pubs surprised the market, although brewers generally are tending to favour such flattering accountancy methods. Conversely, the market had expected a bigger contribution from leisure developments, which should make a dynamic impact in the second half. Pubs, with more disposals as well as acquisitions in the pipeline, have boosted sales since taking off the tie, while hotels, including Le Touquet in France are doing well and five new hotels are under construction. The market, still reflecting concern over the dealing orientation of the group, including the William Hill acquisition, is forecasting up to £71m for the full year, giving a prospective p/e of six times – the cheapest stock in the leisure sector.

Environmental awareness helps treble Caird profit

By Vanessa Houlder

CAIRD GROUP, the waste disposal company, more than tripled pre-tax profits from £1.46m to £4.84m for the year ended June 30. Turnover increased from £3.85m to £18.72m.

Mr Peter Linacre, chairman, said that a principle factor behind the results was the increase in prices resulting from greater environmental awareness and the more rigorous approach to waste disposal.

The company has commissioned the first independent environmental audit in the UK and will release the results with its annual report.

The breakdown in profits was as follows: landfill £1.21m; dry waste and transport £570,000; special waste treatment £1.1m and industrial services £1.22m.

Earnings per share increased from 14.27p to 23.54p, and a recommended final dividend of 4p makes 6.5p (4p) for the year.

Dominion suspended pending announcement

By Clay Harris

SHARES in Dominion International, the financial services and property group, were suspended yesterday pending an announcement next week about its financial position. At the suspension price of 52p, Dominion is valued at £36.5m.

The suspension followed a review of Dominion's operations by Mr Carl Openshaw, who became managing director in July. He refused to elaborate on the contents of next week's announcement.

However, analysts are expecting the company to make heavy provisions against certain investments and possibly to seek a cash injection through a rights issue. Dominion has net borrowings of £39m against net assets of £24.8m on its March 31 balance sheet. The company's ability to maintain its dividends at 5.6p, or indeed to pay any, is also in question.

There are several areas of concern:

● A stake in Intex Holdings, a company set up with the intention of becoming the world's first fully automated futures exchange. Dominion's investment cost £5.7m, yet Intex is showing a net deficit on assets.

● Film Finances, a film insurance company, is still treated as an asset held for disposal even though the planned sale looks unlikely to proceed.

● The 1989 accounts list £3.58m in recoverable advance corporation tax among debtors, but UK activities accounted for only 20 per cent of turnover last year and an unquantified proportion of Dominion's pre-tax profits of £5.44m.

● Attention will also focus on the value of Dominion's computer leasing activities and Spanish property holdings.

All in all, one analyst said yesterday that, on present knowledge, he doubted that Dominion's break-up value exceeded 50p per share.

Blacks claims realistic strategy for Goldberg

By Nikki Tait

BLACKS LEISURE, the camping goods and sportwear retailer which is making a £32m all-paper bid for A Goldberg, the Glasgow-based retailer, has sent a final circular to shareholders.

In it, Blacks points to the losses made by Goldberg in the first five months of the current trading year, and claims to have a "realistic strategy" for its target. "With the Christmas period approaching the sooner we start work at Goldberg the better", it says.

Meanwhile, Blacks says that in the wake of a marketing agreement between LA Gear, the US footwear company, and pop-star Michael Jackson, it has taken over £1m-worth of orders in seven days. Blacks has the UK distribution rights to LA Gear sports footwear, clothing and accessories.

Blacks shares rose ¾p to 8¼p, while Goldberg recovered 10p to 154p.

Colorvision profits warning

By John Thornhill

Colorvision, yesterday warned that pre-tax profits for the past year were likely to be slightly less than last year's £3.62m.

The company blamed the unusually warm summer, a slower rate of shop openings, and lower levels of consumer spending.

However, Mr Neville Michaelson, chairman, said the problems had been temporary and that sales were now surging ahead. "Next year will be a terrific year for us, especially if interest rates fall," he said.

Meggitt attacks USH 'catalogue of disasters'

Meggitt, the specialised engineering group, yesterday posted the offer document for its £115m hostile takeover bid for United Scientific Holdings, attacking what it described as a "catalogue of disasters, financial problems and management disarray" at the defence equipment manufacturer.

USH shares closed 1p lower yesterday at 170p. This compares with the 144p value of Meggitt's all-share offer and the 157p value of its partial cash alternative.

Lower oil prices hit Triton Europe

Triton Europe, the Bristol-based oil and gas exploration and production company, blamed lower crude oil prices for annual profits of £3.24m, less than half the comparable £7.12m.

The company added that the lower prices had also reduced the development programme.

In the 12 months to May 31 turnover fell from £33.26m to £26.98m. Earnings per share were 1.98p (4.32p).

Mr H Brewer, chairman, said the results of drilling in the Bagneaux field had been pleasing and all five Dogger wells drilled to date had been successful.

UK COMPANY NEWS

Poor UK textiles depress Coats Viyella to £55.2m

By Alice Rawsthorn

COATS VIYELLA, the textile group which hopes to bid for Tootal, yesterday announced a fall in pre-tax profits from £76m to £55.2m in the first half of 1989.

The decline reflected the intensely competitive state of the textile industry.

Coats, which has interests in the sewing thread market and in engineering as well as textiles, increased sales to £890.9m (£881.9m). The weakness of UK textiles, where Coats is a major player in home textiles and clothing, dragged operating profits down to £64.7m (£78.7m).

The impact of more favourable exchange rates on the translation of overseas earnings produced a gain of £1.3m. But Coats did not benefit from a pensions holiday this year – in the first half of 1988 it received a £4.5m pension contribution.

Coats was also hit by the impact of increased interest rates on higher borrowings. Its gearing rose to 20.4 (14.6) per cent in the first half and interest payable more than doubled to £10.6m (£4m).

The contribution from related companies fell to £1.1m (£1.3m). Coats paid £18.7m (£20.7m) in taxation. Earnings per share slipped to 6.31p (9.71p) but the interim dividend is held at 8p.

● COMMENT

This time last year Coats Viyella plunged the textile sector into gloom by unveiling an unexpectedly dreadful set of interims. This time the City's expectations were so very low that the plunge in profits from £76m to £55m was greeted almost with relief. The outlook for Coats' spinning, weaving and apparel interests is certainly cheerier given that the stronger dollar should lessen the pressure from imports in 1990. Yet home textiles are still haunted by high interest rates and it is difficult to see how the UK recovery could be strong enough to offset a poorer performance from South America. The City expects profits of £130m this year. But it is far from sanguine about the logic of taking over Tootal – the Monopolies and Mergers Commission permitting – at a time when Coats is still struggling with the aftermath of the Nottingham Manufacturing and Coats Patons acquisitions. All in all, it will take a long, long time for Coats to recapture confidence and the shares will languish – on a prospective p/e of 12 at 172p – until it does.

Speciality chemicals buoy Yule Catto

By Vanessa Houlder

YULE CATTO, the speciality chemicals, building materials and plantations group, yesterday announced a rise in pre-tax profits from £7.61m to £10.4m for the six months to June 30. Turnover increased from £93.54m to £121.8m.

The company said that prospects for most of its industrial operations were reasonable in spite of fears of recession.

The star performer was the speciality chemicals division, which raised its pre-tax profits by 56 per cent to £9.62m, although this was boosted by the scheduling of large annual contracts. The division also benefited from a reduction in the prices of raw materials.

Building products improved 20 per cent to £2.21m (£1.84m). However profits from the agriculture and land division fell by 6 per cent to £817,000, reflecting the weakness of prices for crude palm oil and natural rubber latex.

Central and finance costs increased by 76 per cent to £2.25m, reflecting higher interest costs and increased borrowings of £19.8m.

An extraordinary item of £566,000 stemmed from the sale of its 25 per cent shareholding in Revinex Australia, a manufacturer of synthetic latex.

Earnings per share improved by 34 per cent to 6.7p. The interim dividend is raised to 1.9p compared with 1.6p last time.

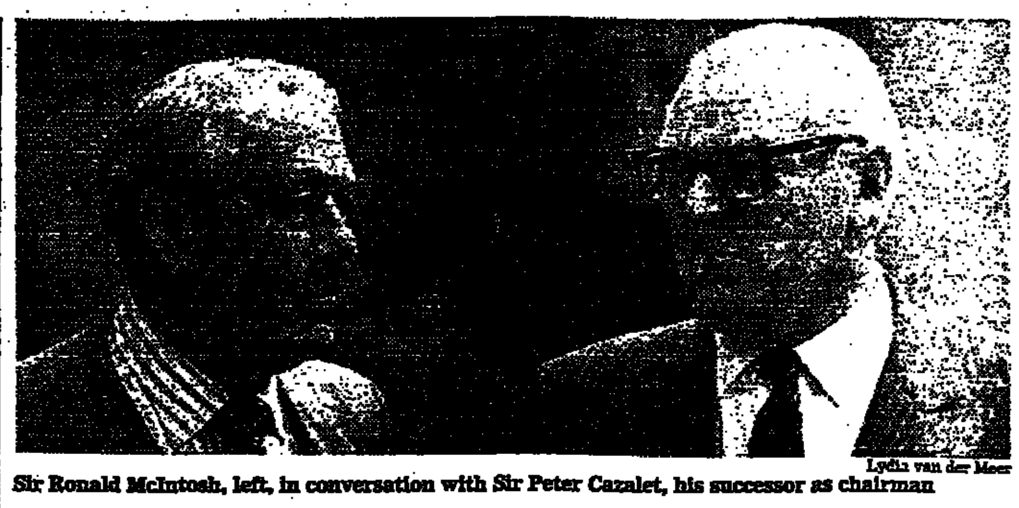
● COMMENT

Yule Catto is now reaping the benefits of declining raw material prices having ridden out the rise in prices in 1988. That provides a comforting background while they contend with possibly depressed demand in parts of the UK economy. Also in its favour is a good geographic spread and range of businesses which should give it a good deal of protection against a UK economic downturn. And although lower profits are expected from the plantations activities, they have been reduced to less than 10 per cent of the business and so should not prove a particularly heavy brake on progress. After these impressive interim results, analysts expect Yule Catto to make pre-tax profits for the year of just over £21m. That puts the shares, up 1p to 146p, on an undemanding p/e ratio of 10.5.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Antofagasta	int	6	Dec 8	4	-	13
AVP	int	2	Nov 9	1.8	-	4.8
Bentalls	int	0.6	Nov 10	0.55	-	3.5
Bilston Enamels§	int	1.75	Nov 2	1.5	-	4.2
Boustead	int	0.5†	Nov 13	0.3	-	1.1
Brent Walker	int	5☆	Jan 2	4	-	11
Caird	fin	4†	-	3	6.5	4
Coats Viyella	int	3	Jan 2	3	-	9
Dowding & Mills	fin	1.52	Nov 2	1.29	2.32	2
Glasgow Income	int	0.5♠	Nov 30	-	-	-
Great Southern §	int	2.6†	Nov 2	2.3	-	7
Johnston Press	int	1.5	Nov 17	1	-	3.5
Kwik-Fit	int	1.04	-	1.04	-	2.4
Laporte	int	5.8	Nov 10	5	-	13.7
Logica	fin	2.1	Nov 8	1.6	3.1	2.3
Morrison (Wm)	int	0.3	-	0.275*	-	1.15*
RMC	int	5.8	Dec 1	4.6	-	14.5
Schroders	int	6	Nov 7	6	-	19.5
Secure Trust	int	2.5	-	-	-	-
SWP Group §	fin	0.5	-	-	0.5	-
T&S Stores	int	1.5‡	-	1	-	2.625
Westpool Invest	fin	2.15‡‡	Nov 18	1.45	2.5	1.8
Yule Catto	int	1.9	Nov 10	1.6	-	3.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option. ‡Final of 2.5p forecast. ‡‡ For 11 months and includes special 0.5p. ♠Fifth interim and making 2.3p to date for period to September 30



Lydia van der Meer

Sir Ronald McIntosh, left, in conversation with Sir Peter Cazalet, his successor as chairman

APV relies on food processing

By John Ridding

APV, the food and drink processing equipment manufacturer, yesterday announced pre-tax profits of £24.2m for the six months to June 30, an increase of 15 per cent over the comparable period.

The company also announced its move into the filling machinery industry with the £4m purchase of 55 per cent of Ortmann & Herbst which is based in West Germany. Earlier this month, APV gave way to Klöckner-Werke, the West German steel and capital goods group, in its battle for control of SEN, a manufacturer of bottle-filling equipment.

The profit improvement reflected strong demand in APV's core food processing operations. It was limited by the loss of profits from the printing machinery business sold in February, and by increased losses at its European chemicals operation.

Sir Ronald McIntosh, who is succeeded by Sir Peter Cazalet as chairman at the end of the month, said that while the results showed steady progress they were not strictly comparable because of the disposal of the printing business, which added about £3.2m to last year's profits. This loss was not compensated for by interest on the net proceeds of £53m.

But despite the strengthened balance sheet, which saw gearing decline to 20 per cent from 80 per cent, the interest charge only fell to £2.9m (£4.3m).

The strongest trading performance came from liquid food, which raised profits to £14.1m (£9.9m). Dry foods increased profits to £9.5m (£7.8m).

Group turnover increased to £382.9m (£373.7m). Earnings per share were 5.4p (4.8p) and the interim dividend is raised to 2p (1.8p).

● COMMENT

There is a prima facie case for questioning the benefits of the printing business disposal, given that the loss of profits was not compensated for by interest savings or investments. But last year the business was being dressed up for sale and such a performance would have been hard to sustain and costly in terms of capital expenditure. More importantly, APV is now better focused and has the resources to expand its core businesses, possibly through another sizeable acquisition. That said, the interest charge remains surprisingly high given the flood of disposal proceeds. Margins are up to 7 per cent, with further scope for improvement, and orders are a healthy 16 per cent ahead of last year. For the full year, analysts' pre-tax forecasts range from £58m to £62m, for a prospective rating of about 10.5 at the mid-point. The stock has defensive merits relating to the underlying growth in demand for food processing equipment and is looking a little cheap.

Logica shows strong growth with help of US acquisition

By Alan Cane

LOGICA, the computing services company, showed strong growth in turnover and profits in the year to June 30, aided by a substantial contribution from Data Architects, the US company bought last year.

Turnover improved 32 per cent to £179.5m (£135.9m) while pre-tax profits rose 28 per cent to £18.8m (£14.7m).

Earnings per share, however, rose only 10 per cent, from 18.1p to 20p, reflecting some dilution as a result of the Data Architects acquisition.

Revenues and earnings fell slightly below the company's own hopes and analysts' predictions at the beginning of the year, as growth in the US and the UK failed to match expectations, reflecting a general slowdown in computing services.

The business had been growing at 25 per cent or more annually but had now slowed to somewhere between 15 and 25 per cent. In the circumstances, Logica's results pleased both the company and the market, which pushed up the shares 15p to 354p.

Turnover outside the UK was, for the first time in the 20 years of Logica's existence, greater than home revenues with significant exports to the US and Japan.

Results also included a full year's contribution from Data Architects which in 1989 accounted for 20 per cent of Logica's turnover. The company said: "Although performance of the merged operations fell short of our best expectations, we achieved our strategic objective of establishing a substantial base in North America".

The final dividend is 2.1p making 3.1p for the year, an increase of 35 per cent on the previous total of 2.3p.

● COMMENT

Unlike some of its competitors, Logica warned last year that the hectic pace of growth in the computing services business could not be sustained. A recent decline in its share price seemed to be the result of persistent selling by those who over-estimated the severity of the warnings and wrongly anticipated poorer results; as it is, the shares seem very reasonably priced. The company has performed strongly in the defence, transport and energy sectors and has managed to acquit itself well in the difficult finance sector where other services companies have come to grief this year. It is beginning to build a useful catalogue of software "packages" such as Bess, Fastwire and ON/2 which have broad applications in electronic banking, and which have considerable potential for generating profits. Mr David Mann, Logica's managing director, believes there will be considerable opportunities for the company in environmental areas such as radiation monitoring and very large scale projects where an organisation – the retail banks are an example – has to overhaul its entire computer systems. Analysts believe the company is well managed and is making steady if unspectacular progress. They suggest profits for next year in the region of £22.5m giving a multiple of 15 times historic earnings.

Electronics expansion for CSI

By John Thornhill

CANNON Street Investments, the industrial holding company, has bought Network Group Holdings, an electronics concern, for a maximum £20m.

The initial consideration of £2.5m cash is based on warranted profits of not less than £625,000 for 1989. Further payments may be made over the next three years.

Network designs and engineers electronic products, such as televisions and refrigerators, incorporating European component technology.

In 1988, Network made pre-tax profits of £427,000 on turnover of about £12m. Net assets at the year end were £596,000.

Westpool up £1m

Westpool Investment Trust showed a pre-tax profit of £5.25m for the eleven months ended March 31 1989, compared with £4.1m for the previous year.

Earnings were 3.78p (2.95p) basic.

The dividend goes up from 1.8p to 2p with a final of 1.65p; in addition there is a special dividend of 0.5p.

UK COMPANY NEWS

Agreed Desoutter bid referred to MMC

By Nikki Tait in London and Robert Taylor in Stockholm

THE £89m agreed bid by Atlas Copco, the Swedish engineering company, for Desoutter Brothers, the UK manufacturer of electric and pneumatic power tools, is being referred to the Monopolies and Mergers Commission.

The decision by Mr Nicholas Ridley, the Secretary of State for Trade and Industry, to refer the offer was announced yesterday as the bid reached its first close. The offer had the backing of the Desoutter family and directors, speaking for over 50 per cent of the shares. It now lapses.

Yesterday, the Desoutter price fell sharply – down from 689p to 575p. Atlas was offering 700p per share.

However, Atlas made it clear that it had no intention of dropping the proposed purchase, which would make it the fourth biggest power tools manufacturer in the world.

"We are committed to carry through this deal," said Mr Michael Treschow, president of the company's technique division. "This is based on a long-term strategic decision and not on any short-term calculation."

He said he did not understand why the bid was being referred. "We will lose momentum as a result and it will mean some administrative hassle," Mr Treschow said.

The DTI said the decision, in accordance with a recommendation from Sir Gordon Borrie, director general of fair trading, centred on the possible effects for competition in the UK market for pneumatic power tools.

The market is thought to be worth around £50m and the merged companies would have had a market share of about 50 per cent. Atlas, the largest player in the market, is understood to take about 35 per cent, and Desoutter, some 15 per cent.

About 40 per cent of sales go to large industrial users, who are believed not to have been particularly troubled by the prospective marriage. The rest is accounted for by smaller customers, who purchase through third party distributors.

One of the concerns believed to feature in the reference decision is the possibility that the greater market power of the merged group might lead to a growth in "exclusive" distribution arrangements, or some form of this.

Although the market is believed to be fairly open to import competition, the authorities appear to have been concerned that no one else was poised to tackle the position of Atlas and Desoutter.

The third player in the market is US-based Ingersoll-Rand, but it has a much weaker position, while Bosch, the large West German group and a leader in power tools in Europe, has only a minuscule share of the UK pneumatic tools market.

In making the reference decision, UK authorities are also thought to have considered whether pneumatic power tools can be substituted with electric power tools. However, they are understood to have taken the view that pneumatic tools – driven by air – offer sufficiently greater power and accuracy to constitute an independent market.

Hobson changing course again

By Clay Harris

MR RICHARD THOMPSON, chairman of Queens Park Rangers, is taking the helm at Hobson, a company whose ability to change direction without warning might be envied by some of the football club's players.

Mr Thompson was yesterday named chairman of Hobson, which came to the USM in 1984 as the patent-holder for an aluminium die-making process and later abandoned this to buy overseas traders selling toiletries to Africa and the Caribbean.

Since 1987, Hobson has concentrated its expansion on several Midlands-based companies which fabricate aluminium products such as windows and doors.

Yesterday it changed course again, saying it planned to downgrade, and eventually to sell, these manufacturing businesses.

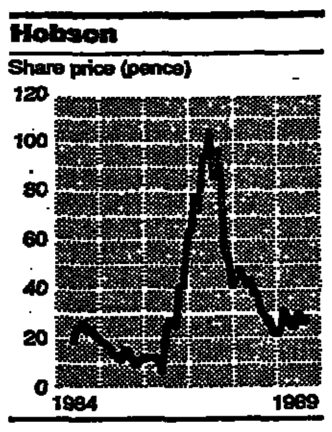
The decision led to the immediate resignation of Mr Stanley Sharp, chairman, and Mr Gerrard Ceclich, another director.

Mr Terry Plummer, chief executive, said Mr Thompson's accession to the chairmanship was likely to signal a period of increased acquisition activity at Hobson.

Mr Thompson yesterday bought 2m Hobson shares to raise his personal holding to 5.7 per cent. Another 34 per cent is owned by Hawknote, a private company controlled by Thompson family interests, including the new chairman's father, Hillsdown Holdings co-founder Mr David Thompson.

In the year to March 31, Hobson reported pre-tax profits of £708,000, barely half of the previous figure, on sales ahead to £17.5m (£15.2m). Ironically, the manufacturing businesses were the bright spot in the 1988-89 results, contributing 37 per cent of pre-tax profits and helping to offset problems in African trading subsidiaries.

Hobson sold its money-losing die-making process to a Swedish aluminium extruder in March 1987. Until this summer, it also owned and operated a health and leisure club.



Reduced mortality leaves Great Southern lower

By Rachel Johnson

THE SLOWDOWN in the national death rate was blamed for a fall in interim profits at Great Southern Group, one of the UK's two quoted funeral directors.

The pre-tax balance for the first half of 1989 was £171m – a fall of 2 per cent on the corresponding six months of last year.

Fully diluted earnings per share fell 30 per cent to 8.08p (12.25p). Mr Eric Spencer, managing director, attributed this to the mortality rate, higher interest charges, and the absence of exceptional profits from the disposal of surplus land which boosted last year's results.

The 9 per cent drop in the death rate over the year lost the group £700,000 of business, Mr Spencer said. Chosen Heritage, the company's pre-paid funeral scheme, is expected to provide some insurance against the slowdown.

Promoted through charities such as Age Concern, it made a "positive contribution" to operating profits of £187m (£126m). The scheme has doubled in the last six months to boast a membership of 15,000. "The provision of the scheme is securing the future of our business against the mortality rate," Mr Spencer said.

Turnover rose from £8.7m to £10.5m, and operating profits increased by 25 per cent to £2.2m, helped by the sale and lease back of properties following the purchase of the Richmond-based T H Sanders group. Increased operating margins and running a "leaner tighter ship" enabled an interim dividend of 2.6p, a 13 per cent increase on last year, to be announced.

Reckitt & Colman buys Spanish babycare group

By Lisa Wood

RECKITT & COLMAN, the consumer products group, has bought Nenuco, a privately-owned Spanish babycare company.

The consideration was not disclosed, but industry observers estimated it to be about £20m.

Nenuco is the leading baby care brand in Spain, with an estimated current turnover of Pta2.5bn (£13m).

Mr David Saltmarsh, Reckitt's company secretary, said the acquisition satisfied two of the group's strategic aims: development of its personal care business and growth in southern Europe.

The addition of Nenuco to Reckitt's existing Spanish company would increase sales by 40 per cent. The acquisition was intended to reinforce the Spanish business in personal care product categories, a sector expected to enjoy strong growth and development.

Reckitt had also planned to enter the blow-moulding market and the acquisition accelerates this as the purchase includes fixed assets and stock of Tarraco-Plastica.

Second half loss at HunterPrint

By John Thornhill

SHARES in HunterPrint Group yesterday tumbled 22p to 175p as the specialist printing company warned that profits for the year to October 1 would be about £2m, a substantial reduction on analysts' previous forecasts of £4.5m, and the £6.45m made in 1987-88.

At the halfway stage, HunterPrint recorded pre-tax profits of £2.31m and suggested then that it would make a similar return in the second half. However, Mr Michael Hunter, chairman, said yesterday that the company had traded at a loss in this period.

The losses were attributed to three main reasons:

- The move to the new factory in Corby, where the company hit unforeseen start-up production problems, mainly caused by late delivery of equipment, leading to reduced profitability.
- Recruitment of skilled staff, which continued to prove difficult because of the stagnant housing market and led to unbudgeted overtime and training costs.
- A three-week industrial dispute over job losses in the financial printing division which severely affected its activities in the second half.

Mr Hunter said moving to the new factory had been the right thing to do and that it would prove its worth once HunterPrint sorted out these temporary problems. He did not know how long that would take but suggested that business would be coming through at the right levels in the early months of 1990.

The company had recently won contracts to print the Sunday Times' children's supplement, Funday Times, and the Sunday Correspondent's colour magazine, he said. "We are not worried about where the business is going to come from, but we have to get the productivity right."

Secure Trust up 21% to £1.96m

By David Lascelles, Banking Editor

Secure Trust Group, the financial services company floated on the Stock Exchange last year, yesterday announced a 21 per cent increase in pre-tax profits.

This was based on pro forma accounts assuming the proceeds of the flotation in the same period last year.

Profit was £1.96m, up from £1.62m pro forma. This result included £789,000 in investment income from customer balances, ahead 36 per cent.

Mr Henry Angest, chairman, said business volume was also up. The company had added 3,500 customers to its home money management services, its main line of business. Insurance broking and travel services improved as well.

The interim dividend is 2.5p.

USM placing for Essex Furniture

By Vanessa Houlder

Essex Furniture is coming to the USM via a placing which values it at £4.29m. The company manufactures and retails upholstered furniture.

The joint brokers, UTC Securities and R A Coleman (North Wales), are placing 1.8m shares at 50p, raising £760,000.

Dealings are expected to start on October 3.

Essex makes upholstered furniture which it sells direct to the public through its four edge-of-town retail outlets.

It made profits before exceptional items and tax of £590,000 (£421,000) for the year ended June 30.

Brandon Hire joins USM with £7.4m tag

By Vanessa Houlder

Brandon Hire is due to become the latest addition to the expanding plant hire sector on the USM with a placing which values it at £7.4m.

Brandon, based in the west and south of England, hires out tools and light plant. In the year ended April 30 1989 the company reported pre-tax profits of £822,000, against £612,000.

Singer & Friedlander is placing 2.21m shares at 74p to raise about £1.47m for the company. A further 250,000 shares are being sold by a director. Dealings will start on September 28. The broker is Stock Beech Securities.

Newman Tonks buys in Germany

By Richard Tomkins, Midlands Correspondent

NEWMAN TONKS, the Birmingham-based architectural hardware group which has been expanding in the US and Europe, yesterday made a further move into the continental market.

It has acquired the privately-owned Normbau Group for DM35m (£11.4m) in shares.

Normbau, which made pre-tax profits of DM5.48m in the year to December 1988, makes and supplies architectural hardware such as nylon door furniture, bathroom accessories and fittings for handicapped people. The company has factories in Renchen, West Germany, and in Bischwiller, France, as well as subsidiaries in Austria and Spain.

The vendor will receive 5.88m shares in Newman Tonks. Of these, 3.12m have been conditionally placed with institutional investors on his behalf and the rest will be retained as an investment.

Newman Tonks will add Normbau to a European network of architectural hardware companies that already includes Wehag in West Germany, Tesa and Telesco in Spain, and Tesa's subsidiary Disquin in France.

Mr Doug Rogers, Newman Tonks chief executive, said the acquisition would strengthen the group's presence in the West German and French markets, where Normbau's product range complemented the door and window fittings supplied by Wehag to the distributive trade.

Newman Tonks has distributed Normbau's products for many years in the UK and, more recently, in the US.

UK COMPANY NEWS

Laporte Industries makes £46.5m at halfway stage

By Vanessa Houlder

LAPORTE INDUSTRIES, the *speciality chemicals company*, yesterday unveiled pre-tax profits of £46.5m for the 26 weeks to July 2.

This compares with taxable profits of £50.6m last time, though this was boosted by an *exceptional credit of £11.6m* arising mainly from the sale of surplus land. Turnover increased from £252.2m to £304.5m.

The result reflected a strong advance from the wholly-owned Laporte activities, tempered by a flat result from Interox, the peroxygens business jointly owned with Solvay.

The company said it expected little change in trading conditions with the result that *the second half performance* should, as usual, be stronger than the first.

At Interox, strong demand for hydrogen peroxide was offset by production problems in Australia. In the perborate business, which has suffered from the introduction of liquid detergent in Europe, demand stabilised and the second half will benefit from some modest improvements in prices.

Inorganic and organic speciality products had a good first half as did paper and water treatment chemicals. The *absorbents* business moved ahead although pet litter products' sales were slightly down due to the mild winter.

The performance of the electronic chemicals and services business was slightly below that of 1988 due to some softening in the semi-conductor market.

An exceptional gain of about £15m is expected in the second half from the sale of a quarry in Redhill, Surrey.

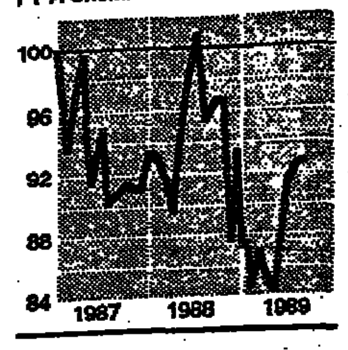
Excluding last year's exceptional gain, earnings per share increased by 28 per cent to 21.5p. The dividend was increased by 16 per cent to 5.8p (5p).

● COMMENT

Recently Laporte has been breathing sighs of relief at the apparent ending of the growth in the popularity of liquid detergents among European consumers. As a result, the tide has probably turned for the washing powder market and *its additive perborate*, which is made by Laporte's Interox business. Interox is also benefiting from the move away from chlorine-based bleaches to hydrogen peroxides, although growth may be tempered in the short term by its capital investment programme. The wholly-owned subsidiaries are also expected to move well ahead since they are cash generative and acquisitive with high margins and a good geographical spread. In particular, green concerns should also prove a powerful motor for the new environmental products division. After these better-than-expected results, the shares rose 16p to 516p. Given analysts' forecasts of about £100m excluding exceptional items, that puts the shares on a reasonable rating of 11.5.

Laporte

Share price relative to the FT-A Chemicals Index



Tuskar calls for I£8.9m via rights issue

By Graham Deller

TUSKAR RESOURCES, the Dublin-based oil exploration group, is raising I£8.9m (£7.73m) through a fully underwritten rights issue.

The company is to issue 28.54m shares on a 1-for-4 basis at 33p. The shares closed 2½p higher at 56p yesterday.

A sizeable proportion of the proceeds will be used to develop further the group's exploration interests in Columbia's Llanos Basin.

In April, Tuskar arranged interim finance for evaluation of an oil find at Rubiales and the drilling of the Manacacias 2 well, and £3m will be used to repay that debt. A further sum of approximately £3m will finance *ongoing* development of the Rubiales programme.

The company said that a further seismic survey indicated that recoverable reserves at Rubiales exceeded original estimates of 250m barrels.

The oil is relatively heavy, at 14 to 15 degrees API, and analysts have expressed concern at possible production problems, due to the nature of the oil and the remote location of the field.

However, Mr Mike Doherty, managing *director*, said that the group did not expect any difficulties. It intended to build an upgrading plant on the field to increase the gravity of the oil to about 22 degrees API, he added.

Colefax seeks £6m to expand

By Alice Rawsthorn

COLEFAX & FOWLER, the furnishings company which decks out the grandest of homes, is asking shareholders for £6.3m in a one-for-five rights issue to finance expansion, starting with the acquisition of LM Kingcome, a furniture business, for up to £1.4m.

Mr David Green, chief executive, said the extra capital would enable Colefax to buy "complementary businesses" in the home furnishings sector and would provide funds for organic growth.

Colefax is offering one new share for every five shares *already held in a rights issue* underwritten by Kleinwort Benson. The new shares will be priced at 160p, compared with Colefax's share price which was unchanged at 171p yesterday. UBS Phillips & Drew Securities acted as broker to the issue.

In the last year Colefax has staged a series of strategic acquisitions. It strengthened its presence in the US by buying Cowtan & Tout, the wallpaper business, and the acquisition of Jane Churchill gave it a second brand name in the UK.

Colefax recently announced an 83 per cent increase in pre-tax profits to £2.7m on turnover of £19m in the year to April 30.

Kingcome, which is based at Newton Abbott in Devon, makes upholstered furniture – with expensive price tags in traditional styles – for the same sort of people who buy Colefax's wallpapers and furnishings.

Colefax already has a small range of furniture. It will use the acquisition of Kingcome to expand the range *and to introduce* it to Australia and the US.

Marley in Holland

Marley is, through its Marley Foam automotive subsidiary, to form a joint venture with Davidson Instrument Panel Textron, a subsidiary of Textron of the US.

The joint company, to be named Davidson Marley, will make and sell automotive instrument panels and related products in Europe. Manufacturing facilities are to be established in Born in the Netherlands.

NEWS DIGEST

Dowding & Mills rises to £9.32m

ALTHOUGH THERE was a slowdown in the second half, Dowding & Mills lifted its pre-tax profit by 30 per cent, from £7.15m to £9.32m, in the year ended June 30 1989.

Mr Peter Hollins, chairman of this *electrical* and *mechanical* service organisation, said that since the end of June production had improved in all divisions. But there were forecasts of a downturn in the UK; if that happened he was confident the overseas companies would help to counterbalance that.

Therefore, he was "cautiously optimistic" of improved results for the current year.

Sales in the year totalled £67.3m (£52.3m). Earnings came to 6.42p (5.15p) and the dividend is raised to 2.32p (2p) with a final of 1.52p.

At the end of the year gearing had been halved to 9.6 per cent.

Ratners to sell ten properties for £25m

Ratners Group, the high-street jewellery chain, is to sell 10 properties in England and Scotland. Ratners is expected to gain about £24.7m cash – 50 per cent over book-value – from the sale, of which £19.3m should be received on September 29 this year and the balance on the same date next year.

The properties and businesses are to be bought by two partnerships which are being established between a subsidiary of Ratners and private investors and which will carry on the businesses. The partnerships will last for eight years and, on termination, the businesses will revert to Ratners which will be entitled to take a 25-year lease on each of the properties.

The proceeds will be used to repay part of Ratners' UK borrowings.

Queen's Moat buys property developer

Queen's Moat Houses, through its subsidiary Queen's Moat Property Group, has agreed to purchase MJ Ashford, a property development and construction group based in the West Midlands.

The initial consideration is £6.05m, to be satisfied by the issue of 5.22m shares of which 3.48m are being placed in the market. Further consideration, in instalments up to a maximum of £19m, depends on annual profits up to 1992.

Johnston Press moves ahead 46%

An excellent result from its largest subsidiary, Yorkshire Weekly Newspaper Group, and strong advertising revenues, contributed to a 46 per cent rise in interim profits at Johnston Press, newspaper publisher and printer.

The result of £2.97m compares with £2.03m previously and was achieved on turnover up from £17.15m to £19.99m. The interim dividend is being raised to 1.5p (1p) on earnings up 35 per cent to 7.9p (5.86p).

Mr Fred Johnston, the chairman, said the group had also expanded its customer base and increased profits in printing and typesetting.

Boustead improves 21% to £2.21m

Boustead, the overseas trader and industrial holding group with operations in the UK, Singapore, Brunei and South-East Asia, increased pre-tax profits 21 per cent from £1.83m to £2.21m in the half-year to June 30.

The company ascribed the advance to strong organic growth, increased efficiency and the contribution from acquisitions. The figures for 1988 have been restated. Turnover rose sharply to £42.21m (£30.25m), with £28.27m (£20.86m) from the UK and £13.94m (£9.39m) from overseas.

Earnings worked through at 2.27p (1.73p) and the interim dividend is lifted to 0.5p (0.3p)

Mr Tommy Macpherson, chairman, said that prospects in the markets and countries in which the company operated varied from continued buoyancy in South-East Asia to weakness in certain sectors in the UK.

Sales to Harrods help Bilston progress

Emphasis on sales promotion and the cost-cutting measures made by USM-quoted Bilston & Battersea Enamels are showing through, and helped increase the pre-tax profit by 45 per cent in the first half of 1989.

From sales 20 per cent higher at £2.06m (£1.7m) this maker of hand-decorated enamel boxes and clocks produced a profit of £215,000 (£148,000).

Sales to Harrods helped achieve 23 per cent growth in the UK, while the US performed particularly strongly in an overseas sales increase of 18 per cent.

Sales in the third quarter continued to be buoyant. The timing of price rises and the issue of annual catalogues have been brought forward which should benefit the busy Christmas ordering period.

Earnings in the half year moved up to 3.3p (2.3p) and the interim dividend is 1.75p (1.5p).

T&S suffers 16% decline to £1.19m

In spite of a "material *increase" in confectionery* margins, T&S Stores, the tobacconist and newsagent, reported pre-tax profits 16 per cent lower in the six months to July 1 1989.

The profit figure – down from £1.42m to £1.19m – came on turnover of £65.04m (£64.1m). Current sales were ahead of budget, the company said.

The interim dividend is raised to 1.5p (1p), payable from earnings of 3.62p (4.19p) per *5p share*. A *final* dividend of 2.5p is forecast.

An extraordinary debit of £2.61m related to the group's acquisition in May of Alfred Preedy and Dillons Newsagents.

NAV increases at R&M American

River & Mercantile American Capital and Income Trust, reported a net asset value 43.67p per capital share and 51.71p per income share at August 31, against 30.28p and 46.01p a year earlier.

Earnings per income share were down at 3.85p (4.28p) and the second interim dividend is lifted to 1.6p (1.5p).

The company said that after a third interim dividend of 1.6p (1.5p), it intended to recommend a final of 2.2p (1.9p), for a total of 7p (6.4p) for the year.

In yesterday's edition, a version of these results was incorrectly attributed to River & Mercantile Trust, which has not reported this week.

SWP at £1.19m and sees no slowing

SWP Group, the building products company which came to the USM last October, reported pre-tax profits up 59 per cent from £746,000 to £1.19m for the year to end-June.

Mr Robert Stickings, chairman, said that, after two months of the present year, order books were at record levels and there had been no reduction in the level of business as a result of the downturns in retail spending and housing starts.

In June the company acquired Crescent of Cambridge and the figures have been prepared on a merger accounting basis.

Turnover was £2.25m higher at £10.52m. Earnings per share came out at 3.1p (1.97p). A maiden dividend of 0.5p is proposed.

Reduced demand clips Kwik-Fit

By John Thornhill

KWIK-FIT Holdings, the car parts specialist in which Continental, the West German tyre manufacturer, recently revealed a 10 per cent stake, yesterday announced a marginal fall in interim pre-tax profits from £9.83m to £9.62m.

But Mr Tom Farmer, the company's founder, chairman, and chief executive, defiantly declared: "As far as the management, and the 3,000 Kwik-Fit fitters are concerned, this company is not for sale."

As for Continental, he said: "We regard them as we regard any other shareholder. No tyre manufacturer has to buy a stake to build a relationship with Kwik-Fit. All they have to do is offer us competitive prices."

Kwik-Fit does not buy tyres from Continental, the world's fourth largest producer.

In the half year to August 31, operating profits advanced 9 per cent to £10.41m (£9.58m) on turnover ahead 22 per cent at £97.07m (£79.68m). Higher interest charges of £1.47m (£568,000), however, checked the pre-tax advance.

The pre-tax fall had been caused by a decline in consumer spending, resulting in only moderate progress in the group's established centres.

Explaining this fall-off, Mr Farmer said: "If you are flush and you get a hole in your exhaust then you get a new one. If you do not have the money, then you get a baked bean can and put that on."

But he remained confident that business would pick up again. "People have to buy our product at the end of the day."

Most of the increase in sales had come from the 23 new centres acquired or opened during the period, although these made no contribution to profits after absorbing start-up costs.

In total, Kwik-Fit now operates 511 centres in the UK and on the continent.

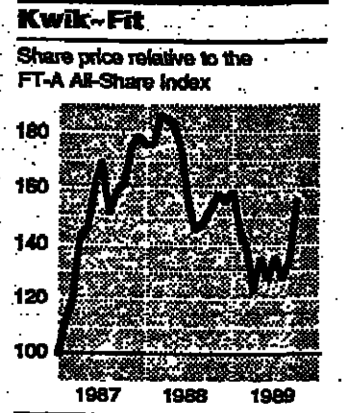
Fully diluted earnings per share fell by nearly 15 per cent to 3.76p (4.42p) because of the increased number of shares in issue. The interim dividend is unchanged at 1.04p.

● COMMENT

The attractions of Kwik-Fit for a tyre manufacturer, or anyone else for that matter, are clear to see. A proven retail formula, an "obsession with quality," and an aggressive and innovative management, all add up to a highly successful business with excellent long-term growth potential. But potential predators may well think twice before tangling with the formidable Mr Farmer, who would surely mount a robust defence. They would have a hard job arguing that they could run the business any better, and would almost certainly have to consider paying a very high price. The figures were slightly disappointing, especially in the earnings department, but Kwik-Fit is probably right in believing that sales have been deferred, not lost. A recent study suggested there was an epidemic of bald tyres on the road and many of these will be replaced come the next icy spell. On full-year pre-tax profits of £20m, the prospective multiple of 17 looks high, but investors should perhaps hang on, either for any short-term excitement or for the longer-term appreciation.

Kwik-Fit

Share price relative to the FT-A All-Share Index



Tom Farmer: no tyre maker has to buy a stake

Copson to raise £8.2m via rights

By Richard Tomkins, Midlands Correspondent

F COPSON, the plumbers' and builders' merchant, is raising £8.2m through a rights issue to help finance its diversification into the hotel and nursing home businesses.

The change of direction follows the assumption of boardroom control by the Chatwani brothers, who displaced Mr Richard Thompson as a major shareholder and director in March.

Subject to shareholders' approval, Copson will make a seven-for-11 rights issue of 4.52m shares at 185p a share. The Chatwanis, with 18.3 per cent of the issued equity, will take up 400,000 of the shares.

The proceeds will be used to finance the recently agreed purchase of the Hare and Hounds Hotel in Speen, near Newbury, Berkshire, and the Conifers Nursing Home in Hambleton, near Preston, Lancashire.

The Hare and Hounds, costing £1.93m, has 31 bedrooms and planning permission for another seven. The Conifers, costing £1.45m, is registered for 52 residents and has planning permission to accommodate another six.

The Hare and Hounds acquisition follows Copson's purchase of the Letchworth Hall Hotel in Hertfordshire earlier this year for £4.25m. Copson said yesterday that the balance of the rights issue proceeds would be used to buy further hotels and nursing homes.

Harrisons & Crosfield moves into petfoods with £44m buy

By Christopher Parkes, Consumer Industries Editor

HARRISONS & Crosfield, the chemicals, agribusiness and builders' merchants group, yesterday moved into the petfood business, and at the same time prepared to vacate its niche in the speciality flavours and fragrances market.

Announcing an agreed £44m offer for Edward Baker Holdings, a petfood maker and flour miller, the group also unveiled plans to auction off Felton Worldwide, a US-based company which supplies flavours and fragrances to food and personal products manufacturers.

Edward Baker has grown rapidly in recent years, mainly on the strength of its Omega brand dry and semi-moist pet products. Pre-tax profits have increased sixfold since 1984 to £3.8m for the year to October 1988.

It sells about half its annual output of 40,000 tonnes to the Continent, and a new factory is currently being built. Net assets are around £10m.

The acquisition will be financed by an allotment of Harrisons shares at market value and a loan note alternative for up to 20 per cent of the total price.

Mr George Paul, group chief executive, said petfood fitted neatly between the company's animal feed and human food interests.

Invitations to tender for Felton International were being sent out following three serious approaches in the past few weeks, Mr Paul added.

The company, based in New York, turned over $75m last year on sales of food flavourings, soluble spices and essential oils used in perfumery.

"The sort of price levels we have been offered indicate the business is worth more to someone else than it is to us," Mr Paul said.

Companies likely to bid include International Flavours and Fragrances of the US and Quest, a subsidiary of Unilever, which are currently jostling for world market leadership.

Concentration in the fragmented flavours and fragrances industry has been gathering pace lately, as manufacturers seek critical mass.

Research and development costs are rising sharply, driven by demand for more "natural" products which require considerable investment in rare skills.

Rapidly changing fashions have also raised the pressure on flavour and fragrance makers to increase their output of new sensations.

Harrisons bought Felton from its family owners in 1985 for $25m when turnover was $40m. The operations of Pauls, its existing UK specialist company were merged with Felton later in the same year.

Strong copper price lifts Fags

By Kenneth Gooding, Mining Correspondent

STRONG copper prices and favourable exchange rates helped boost the taxable profit of Antofagasta Holdings, the UK-quoted group with a wide range of interests in Chile. Profits went up from £8.7m to £15.3m in the half-year to June 30.

So substantial has been the impact of the high copper price during the past 18 months that Cerro Negro, a copper mine in Chile previously written-off by its owners, has eliminated all its debt and made a taxable profit of more than £4m in the six months. Antofagasta's share, included for the first time, was £1.39m.

Earnings per share nearly doubled to 42.3p (21.9p), and the interim dividend is being lifted 50 per cent to 6p (4p) partly to reflect the better results but also to reduce further the disparity with the final.

The pre-tax contribution from mining increased from £3.89m to £6.89m. Results from the railway operations also improved, from £1.69m to £1.73m, because of increased minerals and copper traffic.

Interest on £21m in bank deposits outside Chile, about half in US dollars, jumped from £347,000 to £2.34m. But £1.1m of the increase was accounted for by exchange gains being taken above the line for the first time.

Associated companies contributions came to £4.3m (£2.01m). Apart from Cerro Negro, Madeco, the copper tube maker, put in £2.1m (£1.58m), the telecommunications business contributed £508,000 (£431,000), and the share of Banco O'Higgins was £300,000 (nil).

Mr Christopher Jowett, financial controller, said the company was "very confident" about the second half. Copper prices were holding up well and output at the 65 per cent-owned Michilla mine was being boosted gradually by 50 per cent by the year end, so increased output should compensate for any drop in metal prices.

Railway operations continued to do well and Banco O'Higgins was likely to be the only Chilean bank completely free of Central Bank debt by the end of 1989, Mr Jowett added.

Interest rates hit Bentalls

The effect of high interest rates and the prolonged hot weather combined to hit interim figures from Bentalls, the Kingston upon Thames-based department store group.

At the pre-tax level profits fell from £1.16m to £623,000 in the half year ended July 1 on sales down to £31.85m (£32m).

Earnings were 0.94p (1.76p); the interim dividend is stepped up to 0.6p (0.55p). Last year's total was 3.5p.

There was an extraordinary gain of £222,000 on the disposal of the removal and repository business.

Wm Morrison advances 21%

By Maggie Urry

WM MORRISON Supermarkets, the Yorkshire-based food retailer, yesterday reported a 21 per cent rise in interim pre-tax profits from £13.84m to £16.72m.

The period covers the 27 weeks to August 5, compared with 26 weeks the previous year, and the current financial year will be 53 weeks. The shares slipped 3½p to 176½p.

Sales rose by 35 per cent from £275.86m to £372m, with 5 percentage points of the gain coming from the extra week's trading. About 17 points of the gain came from new stores, net of two closures and existing stores contributed 12.9 percentage points. Mr Ken Morrison, chairman, said this represented significant progress even allowing for inflation.

Mr Morrison said that tight control of overheads, the new distribution centre, an improved sales mix, and reduced store opening costs meant that operating margins rose from 4.7 per cent to 5.1 per cent. However, a £2.9m swing at the interest level to a charge of £1.6m, held back pre-tax profits growth.

Eight stores were opened during the last financial year and three will be opened in the current year. There are eight more stores in various stages of development.

The cost of expansion is pushing up the company's gearing. Capital expenditure in the first half was £28m and Mr Martin Ackroyd, finance director, said it would be £75m for the full year. As a result gearing would rise to 50 per cent by the year end, and would increase again the following year.

Mr Ackroyd said the group preferred not to use sale and leasebacks to finance development, or to issue new shares.

The need for cash in the business held the dividend increase to 9 per cent, to 0.3p (0.275p). Earnings per share were 24 per cent ahead at 5.06p (4.08p).

Birse offer for sale oversubscribed

By Vanessa Houlder

The basis of allocation of shares in Birse Group, a construction and plant hire company, will be revealed today.

This follows the announcement by Schroders, the group's sponsor, that the offer for sale has been oversubscribed.

The offer of 15.9m shares at 120p has valued the company at £76.5m and will raise about £17.7m in new money for the company.

High level of mergers contributes to Schroders' rise

By David Lascelles, Banking Editor

SCHRODERS, the City of London financial services group, made higher profits in the first half this year than it did in 1988.

As is customary, the group did not publish any figures. But Mr George Mallinckrodt, executive chairman, said "All the functions are doing well."

He said he was particularly encouraged by the fact that profits compared favourably with earnings in the first half of 1987, before the market crash. Last year, Schroders' first half profits were down.

The result was helped by a high level of mergers and acquisitions business, where Schroders is a market leader. The six months included the takeover battle for Gold Fields, to which Schroders was adviser and earned a large fee.

The investment management, venture capital, property and securities businesses were all doing well, Mr Mallinckrodt said.

The interim dividend is unchanged at 6p. Any adjustment will be made at next year's annual meeting, Mr Mallinckrodt said.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Bedford (William), Breedon, Filofax, Guidehouse, Highland Participants, IRG, Liberty, Macallan-Glenlivet, Oliver, PML, Polypipe, Spear.

FUTURE DATES

Interims-

Brewmaker	Oct. 2
Epicure	Sep. 28
Elam	Oct. 5
Harrisons & Crosfield	Oct. 4
Hawker Siddeley	Oct. 18
Imtec	Sep. 28
Lamont	Oct. 2
Miller (Stanley)	Sep. 25
Needler	Sep. 28
Porth	Sep. 27
Scott's Restaurant	Sep. 29

Finals-

Bailey (Ben)	Sep. 27
Goodwin	Sep. 29
Harvey & Thompson	Sep. 27
High-Point	Sep. 25
Trafford Park Estates	Sep. 28

COMPANY NEWS IN BRIEF

AMERICAN BUSINESS SYSTEM's US operating company Danka Industries, has completed the acquisition of Graphar of Baltimore, Maryland for $600,000 (£384,600), of which $400,000 is payable in September 1990.

BONMORE FOODS is acquiring Golden Dairy, which makes mozzarella cheese at its modern facility at Llanefgni, Anglesea, North Wales. It exports to Japan, France and Germany. The acquisition takes effect from October 6.

BEAZER'S US subsidiary, Beazer Materials and Services, has sold its interest in Agri-Diagnostics to Union Carbide for approximately $4.5m (£2.88m).

EVANS HALSHAW has acquired Godfrey Motor (Cardiff) for £4.15m cash. In 1988 Godfrey made pre-tax profits of £553,000 on turnover of £25.8m; showed net tangible assets were £1.98m.

FIRST LEISURE CORPORATION has exchanged contracts for the acquisition of a number of development sites, resulting in a £20m expansion of its discotheque and tenpin bowling activities.

GLAMAR GROUP has acquired Scanam Hosiery for an initial £335,000 plus deferred consideration up to a maximum of £300,000 subject to future profits.

H T HUGHES has been granted planning application for the extraction of gravel and backfilling with waste material on land at Abbey Fruit Farm, Hampshire. Hughes has an option to purchase the freehold of this site.

HUNTINGDON INTERNATIONAL has acquired Kansas City Testing Lab, which has offices in Kansas City, Missouri, Topeka and Shawnee Mission, Kansas and Tulsa, Oklahoma. The company is a leading supplier of Geotechnical, environmental and chemistry tewsting services in the region. In 1988 it made revenues of some $3m.

KLP GROUP is buying Eros Mailing and Decron Displays and the business of ARA Advertising from a subsidiary of Cresta Holdings for £2m in cash.

G F LOVELL rights issue taken up in respect of 2,429,271 ordinary shares (81.2 per cent).

MAGNET GROUP has sold and leased back 13 properties for a total of £43.5m, which will be used to reduce group borrowings.

MONKS and CRANE has exchanged contracts with British Aerospace Pension Fund Trustees for the sale and leaseback of the company's head office and central distribution warehouse at West Bromwich. The premises, built for £1.31m in 1988, were sold for £1.35m.

NESTOR-BNA has agreed to acquire the assets and undertaking of Woodlands Nursing Home in Sleights, Whitby, North Yorkshire from the Benet Partnership for £175,000.

PARKWAY has sold Blackburn Print, D & R Litho and the businesses of Portland Press and Clanic Press for a total of £500,000 comprising £202,195 in cash and £297,805 in the form of repayment of inter-group indebtedness. A further sum up to £50,000 may be payable depending upon the utilisation by Blackburn of past tax losses.

ALAN PAUL has entered into an agreement with Portsea Island to acquire the 14 Stand-Alone salons comprised in Portsea Island's hairdressing division known, as the Head Shop group, for £500,000 to be satisfied by the issue of 277,778 new ordinary shares valued at 180p each.

PENTLAND is making an agreed 33p per share cash offer for Accord Publications, valuing it at £2.2m. There is a loan note alternative. Accord incurred a pre-tax loss of £593,000 (£255,000 loss after an exceptional charge of £224,000) for the six months to end-June and there was a loss of 7.9p per share (2.6p). A statement said the poor trading performance had continued into the current half year and it was clear that the hope of an improved outcome for the full year would not be fulfilled.

SOUTHNEWS has acquired the Fulham Times for £240,000, with £55,200 being paid initially, from its managing director D Hetherington. Fulham Times publishes three editions of a free weekly newspaper circulating in the SW areas of London. It recently acquired two editions of the publications, together with the assets and liabilities of their former publisher Metropolitan Communications, an associated company of Fulham Times. The purchaser has also procured the discharge in cash of the initial consideration of £814,00 due from from Fulham Times to Metropolitan.

SPECIALEYES: At its annual meeting, Mr Andrew Noble, chairman, said that there had been little sign of a revival of demand. The high-street shops had been trading satisfactorily, though the in-store concessions had been disappointing. The shares fell 7p to 50p on the news.

WYNDHAM GROUP has been awarded the Volkswagen/Audi franchise for the Cardiff and Newport areas.

Interest in the side streets

By Paul Cheeseright

The smaller guys always get squeezed, sighed John Radgick. Indeed, they do in the property market – not just speculators and traders but also owner-occupiers.

Mr Radgick is an auctioneer at Sallman Harman Healy and he was talking about the effect of higher interest rates and the uncertainty which has appeared in the market for smaller business premises.

This is an undocumented area of the property market where evidence of performance is largely anecdotal. The institutions are not much interested in properties of multiple occupancy, except for relatively small investments in specialised trusts. It is a section of the market with rhythms and responses quite different from, say, town centre offices. Often it is the market of the side streets.

As a general observation, the supply of smaller premises has diminished in parallel with supply of premises of more than 5,000 square feet, in the view of King and Co, chartered surveyors.

Further, the strong demand by users to buy their own units appears to have been partially checked by the cost of money, but the strong demand to rent small amounts of space remains intact.

That said, the market is extremely fragmented: what leases or sells in one street is no guide to what will happen around the corner. When it comes to ownership, different groups have different perceptions of property.

To the north east of the City of London, where there is a substantial and commercially active Asian community, "there is a vast amount of small business people with the entrenched view that ownership of property is the best investment," said Peter Tobin of Strettons, chartered surveyors active in the area.

For domestic businessmen, the motives are rather different. Ownership of the place of work, once a business is reasonably established, is frequently seen as an extension of ownership of the home: paying a mortgage is preferable to paying rent.

As Richard Norton of Leaf, Norton, accountants, explained, purchase not only takes a business out of the ever-increasing rental market but provides an asset which may appreciate. If a company is borrowing to buy, the interest payable attracts tax relief. Sale of the premises and the reinvestment of the funds in the business means capital gains tax can be rolled over.

And, Mr Norton noted, if a buiness has a self-administered pension fund, this fund can acquire the property, lease it back to the business and use the revenue to enhance pension benefits.

Yet, on top of this base, there is now the hazardous element of the high interest rates. It has worked in two ways. First of all it has forced a good deal of property out on to the market. Holding charges are too expensive to sustain.

John Burgess, a director of CSL Group, which runs the London Small Business Property Trust, has found that properties previously offered for purchase but rejected as too expensive have started to come back again, but at a lower price.

At auctions, Mr Radgick noted, sellers have dropped their reserves by about five per cent for better small properties and by about 15 per cent for poorer quality premises. But the buyers have been in the wings. For them, purchase is made more difficult not only by high interest rates but also by a growing insistence among the banks on conservative valuations of the properties in question, often attaching to them only a forced sale value.

Here then is a softer market. No doubt just what Mr Nigel Lawson, the Chancellor of the Exchequer, had in mind when he pushed interest rates up. But, by contrast, this factor appears to have had little effect on leasing.

The two parts of the market are linked to the extent that much recent development has been directed at owner-occupiers rather than at tenants: a quicker return on investment and no management problems afterwards. Also, the desire of developers to extract more value from their sites by providing B1 – general business use – accommodation created a shortage of more basic shed premises at a time of, in the south east at least, intense economic activity.

Strettons have a tale from the unfashionable and scruffy district of north east London, but close to the City, where a warehouse lay three-quarters vacant for four years, was given a capital value of £300,000 in 1962 and is now attracting total rents of £200,000 a year.

There appears to be no slackening of the tempo. Granby Martin, letting mainly 900 square feet sheds for London Small Business Property Trust's development in Leyton, north east London, said that this year rents had moved up from £7.50 to £9.50 a square foot. Of 15 units, 13 have been let on leases of three years and two are under offer.

To the extent that it is possible to generalise, these experiences suggest that at the small end of the market there is little of the uncertainty which is starting to be reflected in CBI business surveys. But small businesses probably lag the large and the property industry lags the economy.

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to July 1989	15.9	21.5	26.9	19.9
Quarter to July 1989	3.5	5.4	6.8	4.8
Month of July 1989	0.8	1.7	3.6	1.6

Source: Investment Property Databank

WHEN the work has finished this site will be Silverman's Yard in Shoreditch, north east of the City of London. It is just about on the City fringe, but, says Henry Harrison whose company Blythe Projects owns the development, this is an area where there are no established values.

This means that if owner-occupiers of the new units are to be attracted then the development has to set off from a modest site value.

Mr Harrison is projecting sales at the rate of £200 a square foot for a gross floor area. On small unit developments the ratio of net to gross space is not good for the developer; hence the selling price is based on the gross area, rather than the net as would be the case in a large City office block.

Working the projected sale prices back to the site value, Mr Harrison said "If you [the developer] are paying 25 per cent – that's £50 a square foot in this case – then it works out about right."

But the twist in this particular scheme is that it is partly work space and partly residential; the owner-occupier can live above the shop, so to speak. This approach is unusual, "slightly pioneering," as Mr Harrison put it. There have been similar developments in London Docklands to exploit the tax shelter market. In this case there will be 22 units with an average size of 2,000 square feet.

This approach opens up more diverse forms of finance. Mr Harrison is working to arrange with a building society a commercial mortgage at a residential rate, so that potential buyers can be offered a financial package to fund their purchase.

Silverman's Yard could be a refuge, Mr Harrison hopes, for small businesses offering services to the City.

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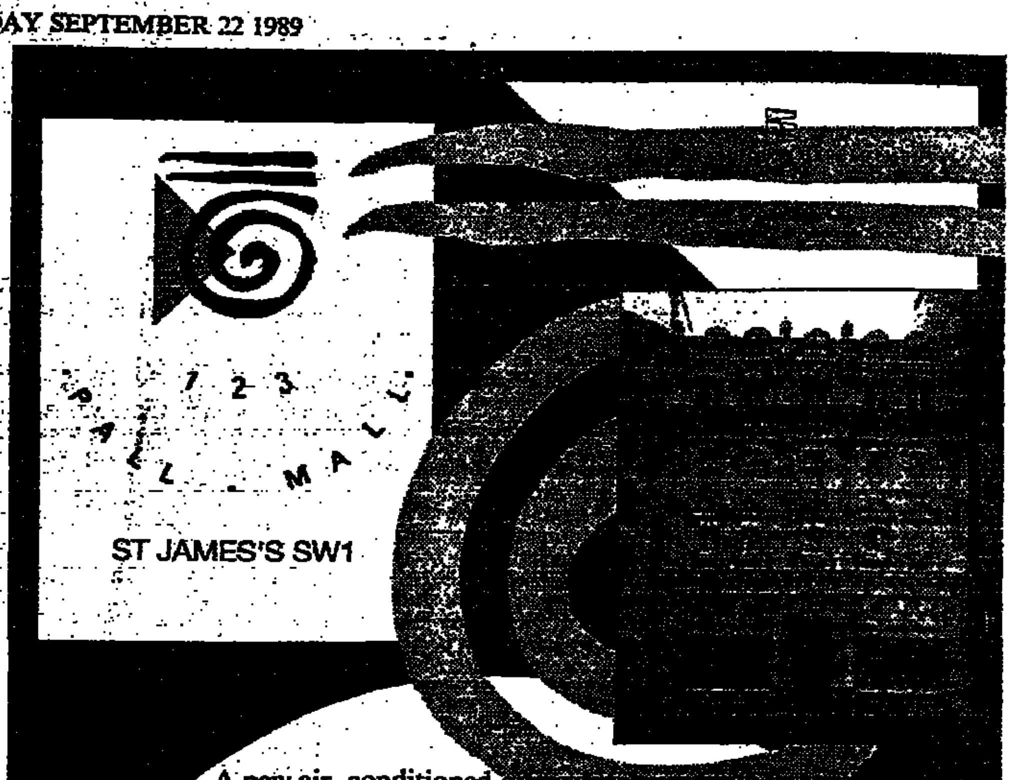

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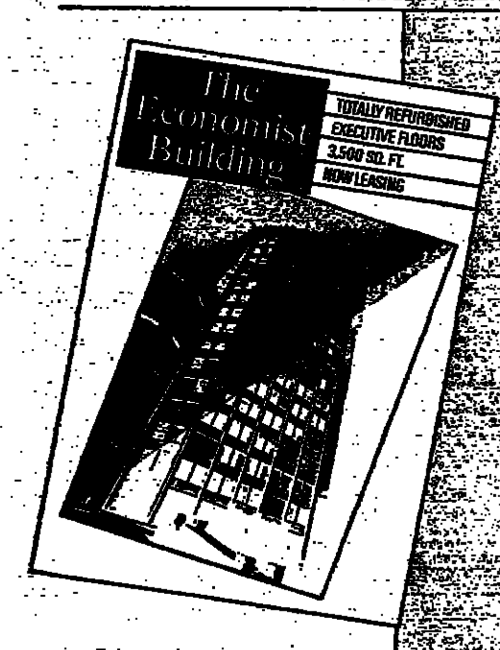

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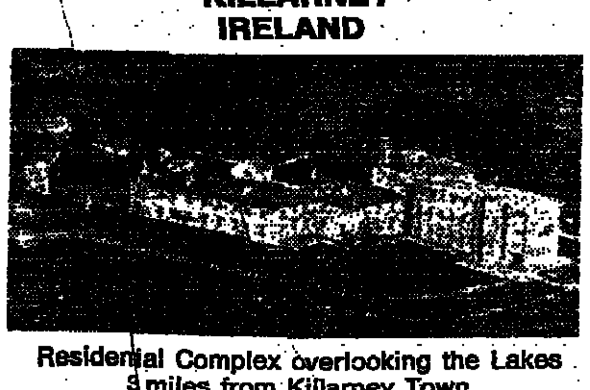

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COMMODITIES AND AGRICULTURE

Bush letter stirs up world coffee markets

By David Blackwell

THE LETTER sent earlier this week by President George Bush of the US in response to Colombia's plea for help in reviving the international coffee agreement has certainly stirred up the world's coffee markets.

Overnight New York prices rose sharply, the March arabica contract putting on 2.5 cents a lb to close at 84.75 cents a lb. Yesterday London robusta prices opened sharply higher, November reaching £818 a tonne before retreating to close at £787 a tonne, a fall of £2 on the day. But New York again moved ahead in early trading.

President Bush's reply to President Virgilio Barco was published by the Colombians in Spanish and translated back into English. Analysts in London yesterday said the US stance towards the coffee agreement had not changed, but further statements overnight from the White House had been over optimistic because of the translation. An English copy was not available.

The markets are monitoring the situation closely and responding quickly to any suggestion that the coffee agreement could be revived during the annual meeting of the International Coffee Organisation which starts on Monday and runs for a fortnight.

Analysts are sceptical that coffee export quotas will be restored, however, because Brazil, the world's biggest producer, has said it is quite happy with a free market. One of the main reasons the coffee agreement collapsed in July was Brazil's refusal to contemplate a reduction in its export quota.

President Bush reiterated in his letter to the Colombians the two key stumbling blocks between the US and the coffee agreement – sales of coffee to countries outside the organisation at discounts to the price paid by members, and the quota system not allowing consumer countries to have as much of the top quality arabica coffees as they wanted.

President Bush is to meet President Barco in Washington next Friday to discuss the anti-drugs war and the coffee agreement. While President Bush has sent Colombia $65m in aid towards its drugs crackdown, a fall in coffee prices of 50 per cent since the agreement collapsed is expected to cost it $400m this year.

In further developments yesterday it was announced that both Mr James Murphy, the US chief negotiator, and Mr Jorio Dauster, head of the Brazilian Coffee Institute, would attend the ICO talks.

World's thirst for oil takes the pressure off Opec

Steven Butler suggests oil ministers meeting in Geneva this weekend will postpone tough decisions

Oil ministers from the Organisation of Petroleum Exporting Countries gather in Geneva this weekend with oil markets more stable than they have been since nearly four years ago, when oil prices took a big plunge as Saudi Arabia tried to re-establish its share of the world market by increasing production.

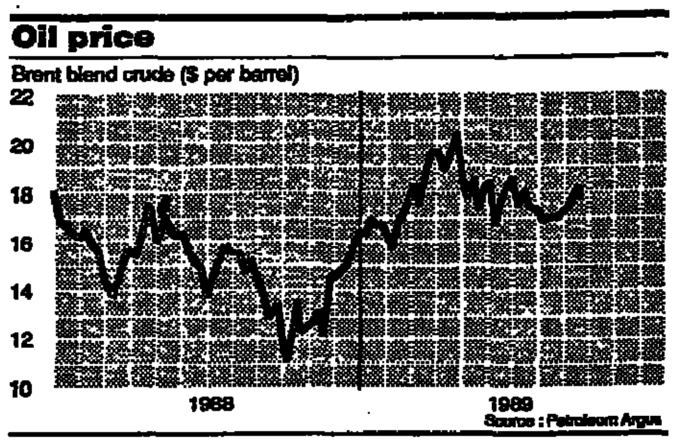
The meeting of Opec's eight-member Ministerial Monitoring Committee, whose brief is to review market conditions, will be attended by a number of other ministers as observers. If a concensus were reached about how to address overproduction or quota problems, an extraordinary ministerial meeting could be convened.

Brent crude oil has been hovering near $18 a barrel for weeks on end, while West Texas Intermediate Crude has been selling for nearly $20. Most Opec crudes, particularly Middle Eastern crudes which tend to be chemically heavier with a higher sulphur content, have been going for much less. Dubai crude oil has been quoted on spot markets at under than $16 a barrel.

Opec members probably deserve little credit for this stability. Although a major disrupting factor in the organisation was removed late last year when Iraq rejoined the quota system after being given a quota equal to that of Iran,

Oil price

Brent blend crude ($ per barrel)



Source: Petroleum Argus

Opec quota discipline has still deteriorated badly. Opec production is estimated to exceed 22m barrels a day, which is 2m b/d above Opec's self-imposed production ceiling.

What has saved the cartel has been the world's apparently unquenchable thirst for oil, along with supply disruptions which have continued to affect the availability of North Sea crudes.

Analysts are again talking about "missing oil" - the discrepancy between what Opec is believed to be producing, inventory levels, and estimated consumption. With much of the supposed missing oil at the end of last year found eventually to have gone up in smoke in power stations, almost no one wants to take the risk of being wrong again by predicting that a supply overhang could again come crashing down on the bulls.

On the other hand, there is a possibly tempting analogy with 1987, in which having succeeded in getting prices back to a reasonable level following the crash of 1986, Opec members spoiled the market by producing too much.

Mr Phillip Morgan, an analyst at Citicorp, reckons that Opec production has risen to 2.5m b/d, and with UK North Sea production gradually recovering, the market is threatened with an excess that could drive down prices.

This, however, would definitely be a minority view. The concensus is rather that like last year, the unaccounted for oil is reckoned to be contributing already to the greenhouse effect.

Although refining margins dipped in July refineries did not cut back on runs of crude oil and margins have since recovered. This indicates refiners are seeing a strong level of demand for oil products which encourages them to keep buying crude oil and processing it.

Some industry analysts believe the Paris-based International Energy Agency, which monitors oil for the industrialised countries, may be underestimating world oil consumption by more than 500,000 barrels a day.

Mr Mehdi Varzi, of Kleinwort Benson, says oil consumption is rising by more than 2 per cent annually, which could lead to considerable tightness in the market some time in the next two years.

Many of the Opec countries are plainly unhappy that Opec's $18 reference price for a basket of crudes is still being missed by a wide mark, and there is plenty of finger-pointing, especially by Opec members which are producing at capacity and arebadly in need of increased revenues.

The fingers, of course, are pointing mainly at the United Arab Emirates and Kuwait, both of which are producing at more than twice their formal quota at about 2m b/d. Each gave undertakings to reduce output to 13.5m b/d at the Opec ministerial conference in June.

Kuwait has been making the case that both Kuwait and the UAE need to receive a realistic increase in their quotas. It appears Opec may have made a fundamental error by not compromising in June.

Saudi Arabia, for its part, as Opec's largest producer appeared unwilling to sacrifice formal market share as expressed by its quota share.

In the event actual market share and price have been sacrificed as a result. But it remains an open question whether even higher quotas would have restrained production by Kuwait or the UAE.

The execution of 16 Kuwaitis by Saudi Arabia yesterday will not promote goodwill between these Arab neighbors, whose relations have become progressively strained since the ceasefire between Iran and Iraq over a year ago. Kuwait's relations with Iraq are also strained by lack of progress in resolving their border dispute.

Mr Varzi said: "Relations between Gulf producers have an almost unprecedented degree of fluidity." This complicated the task of resolving differences among the Opec members on oil matters as well. The fact that the Saudi Minister, Mr Hisham Nazer, will not attend the meeting this weekend for medical reasons has lead many to believe there is little chance of any breakthrough.

It would appear in any case that the Saudis do not have too much leverage left. Last year the Saudis sharply increased production in order to make their point about quota discipline, and also to put pressure on Iran to accept a higher Iraqi quota allocation.

This time it is Kuwait and the UAE which would be the recipients of any "message" from the Saudis but neither would be hurt significantly by a fall in prices. If the Saudis decided to break quota by a wide margin and spoiled the market, it could come crashing home quickly.

Aside from the issue of quota busting, there is a long agenda at the meeting which ranges from discussions of proposals for a new permanent quota system and long-term strategy to reorganising the Opec secretariat.

But in an atmosphere of relatively high oil prices, compared to recent years, there is probably not enough pressure on the ministers to take any decisive action. This meeting is more than likely to be a testing ground for the real battles which will probably be fought out at the regular meeting in November, where Opec will have to approve a new production agreement.

India places contracts to supplement sugar stocks

By K.K. Sharma in New Delhi

INDIA has finalised contracts for the importation of 200,000 tonnes of sugar to overcome domestic shortages and plans further purchases if these are needed.

The sugar shortage has led to a sharp rise in prices when demand is rising because of several Hindu festivals in the next few weeks.

The shortage comes as as campaigning for the Indian general elections is warming up. Opposition leaders are blaming the Government of bungling.

The contracts were announced yesterday by Mr Sukh Ram, Minister for Food and Civil Supplies. He said they had been awarded at $517 to $519 a tonne.

An earlier bid was reopened because unregistered suppliers did not furnish bid bonds in time. Mr Ram said he would permit further imports by unregistered suppliers if they provided bonds. These imports would be in addition to the 200,000 tonnes.

Sugar industry sources said they had recommended that 500,000 tonnes should be imported this year to tide the country over the festival season. The Government has agreed to imports of this quantity but it is impossible to arrange additional purchases during the few weeks of the festival season.

The present shortage is said to be due to a fall in production of cane – land has been diverted to other crops – and to the smuggling of sugar to Nepal and other countries.

Wheat stocks reach 'lowest since mid-70s'

By David Blackwell

STOCKS of wheat held by the five big exporting countries are set to fall by the end of the 1989/90 season to levels not seen since the so-called "world food crisis" in the mid-1970s, according to the latest report from the International Wheat Council.

Concern about the adequacy of stocks has not, however, been reflected in current market prices. In contrast the mid-1970s saw wheat prices at record highs.

Aggregate total supplies in the group – the US, the EC, Canada, Australia and Argentina – are forecast at 226m tonnes this year, the same as in 1988/89. Their combined exports will rise to compensate for reduced availability in smaller exporting countries, leaving their stocks 6m tonnes lower at 33m tonnes.

The IWC points out that the group's combined exports have risen by 90m tonnes from between 55m and 65m tonnes in the mid-70s.

Various factors are cited for the current lack of market reaction. In the mid-1970s oil prices tripled, and the Soviet Union made unprecedented purchases. Since then oil prices have dropped and the market has come to grips with the unpredictability of Soviet demand.

In addition exporting countries have improved handling, storage and transport facilities, eliminating the need to carry such a large volume of stocks from one harvest to the next. Farmers are also able to respond quickly to production incentives, bringing the risk of a return to surplus, the IWC says.

The IWC has left unchanged its July forecast for total world wheat production in 1989/90 at 532m tonnes – second only to the 1988 record of 538m tonnes. Nevertheless, production will be below consumption for the third year in succession.

The forecast for coarse grains has been revised downwards to 814m tonnes from July's 840m tonnes, with production in western Europe notably lower because of the dry summer.

MIM Holdings to build £11m UK lead smelter

By Kenneth Gooding, Mining Correspondent

MIM Holdings, the Australian mining and metals group, is to become a substantial force in the battery lead recycling business in Europe by spending £11m on a new, high-technology smelter at its Britannia Refined Metals plant in Northfleet, Kent, and by buying Chloride's battery recycling business in the UK.

Mr Peter Slaughter, managing director of MIM's UK subsidiary, said: "Britannia is already the largest primary lead refinery in Europe and now plans to expand in the recycling industry."

Financial details of the deal for MIM to buy Chloride Metals, which has a well-established battery collection, breaking, smelting and refining operation at Wakefield, Yorkshire, will be revealed in about two months when the sale is completed.

The Northfleet smelter will use the Isasmelt process developed by MIM in conjunction with Australia's Commonwealth Scientific and Industrial Research Organisation. It will be the first Isasmelt plant outside Australia and the first to be used for recycled lead.

The plant should be completed by the middle of 1991 and have an annual capacity of 40,000 tonnes.

It will replace a small furnace which currently refines up to 10,000 tonnes a year of recycled lead.

● A consortium linking MIM and Noranda Minerals, the Canadian mining company, will today open a A$30m gold and silver refinery in Sydney, writes Chris Sherwell.

The plant, with an annual capacity of 300,000 oz of gold and 3m oz of silver, is said to be the only one in the world dedicated solely to treating precious metals-bearing scrap, residues and mine product from the raw state through to gold and silver.

It has been developed by Pacific Precious Metals, in which MIM and Noranda each have 40 per cent stakes. Toltreck Systems, a precious metals-investment company, holds the remaining 20 per cent.

In treating items which are currently processed in Japan, the US and West Germany, the consortium says the plant will add value in Australia and help counter the deterioration in that country's balance of payments.

Optimism grows on ITC deal

By Kenneth Gooding, Mining Correspondent

THERE was a growing expectation yesterday that agreement could be reached between the 22 countries of the International Tin Council and its creditors, who have set a deadline of September 30.

Creditor banks and brokers claim they are owed £513m from the collapse in 1985 of the ITC's tin price support scheme but have indicated they would be willing to accept £182.5m.

Delegates from the ITC countries started two days of talks in London yesterday, attempting to agree a formula to raise the cash.

Good progress towards a settlement was made at the last ITC session and this week considerable pressure is on those countries which still have not agreed to pay their share.

US farmers uneasy about plan to boost planting

By Nancy Dunne in Washington

AMERICAN farmers are uneasy about a plan by the US Agriculture Department which is expected to boost US wheat production, add to surplus stocks and lower prices.

The scheme, announced last week by Mr Clayton Yeutter, the US Agriculture Secretary, will give producers the option of planting all the land on which they generally plant wheat and add 5% more, while still receiving government production subsidies if prices fall.

Farmers who increase their planting will, however, have less protection from government price supports.

Mr Barry Jenkins, communications director of the National Association of Wheat Growers, said: "Our people are very nervous about this. It was just a few years ago that we had 1.9bn bushels in storage. Nobody wants to go back to that kind of situation."

Mr Yeutter has often said US farmers must be weaned off subsidies and encouraged to respond to market signals. But farmers are loathe to forego the protection of price supports.

On May 31 Mr Yeutter announced that producers would have to set aside 5% of their wheat acreage to be eligible for government payments. But the drought which reduced production of winter wheat has left stocks at their lowest in years.

Production of all wheat for 1989 is now estimated at 2.06bn bushels. The USDA believes the changes in the programme will raise the number of planted wheat acres from 67.5m to 69.6m and expand next year's production from to almost 2.6bn bushels.

Mr Yeutter said the modified programme would allow the maintainance US food aid commitments while adding "slightly" to carryover suppliers after two consecutive years of drought.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices eased further on the LME yesterday, cash metal falling £12 to £1,813 a tonne – a discount to the three-month price of £3. The decline, mainly in morning trading, followed liquidation by commission houses and was stopped by substantial merchant buying. Traders said the market was expected to remain volatile over the short-term, with Comex still leading the way, although general sentiment seems to indicate a short-term test of downside chart areas. Three-month aluminium, which have been in contango all this week, rallied from a two-year low of $1,645 a tonne to close slightly ahead on the day. The morning market had been unsettled by market talk of substantial arrivals of aluminium in LME warehouses this week. Cocoa prices were boosted by French trade house buying; charts point to further gains.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.65q	+0.08
Brent Blend	$17.80-7.90w	+.025
W.T.I. (1 pm est)	$19.80-9.85q	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	+7
Gas Oil	$172-174	+3½
Heavy Fuel Oil	$92-94	+3
Naphtha	$156-158	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.5	
Silver (per troy oz)♣	515c	+1
Platinum (per troy oz)	$475.75	+1.15
Palladium (per troy oz)	$140.25	-1.5
Aluminium (free market)	$1645	-5
Copper (US Producer)	142¾-145c	-¼
Lead (US Producer)	40.5c	+1.0
Nickel (free market)	515c	-10
Tin (Kuala Lumpur market)	21.78r	-0.08
Tin (New York)	371.0c	-1.5
Zinc (US Prime Western)	80.275c	-0.100
Cattle (live weight)†	116.89p	+1.09*
Sheep (dead weight)†	142.63p	+10.5*
Pigs (live weight)†	109.36p	-0.63*
London daily sugar (raw)	$361.0y	+0.4
London daily sugar (white)	$429.5y	+1.0
Tate and Lyle export price	£337.5	-0.5
Barley (English feed)	£108.5x	
Maize (US No. 3 yellow)	£123.5	
Wheat (US Dark Northern)	£124	
Rubber (spot)♥	57.50p	
Rubber (Oct)♥	60.50p	
Rubber (Nov)♥	61.25p	-0.25q
Rubber (KL RSS No 1 Oct)	237.0m	+0.5
Coconut oil (Philippines)§	$511.25v	+6.25
Palm Oil (Malaysian)§	$327.5w	+7.5
Copra (Philippines)§	$316	+20
Soyabeans (US)	£175	
Cotton "A" Index	82.45c	
Wooltops (64s Super)	600p	-6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. q-Nov. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	760	732	754 730
Dec	806	784	807 779
Mar	765	748	766 744
May	770	752	773 750
Jul	783	765	787 765
Sep	798	781	796 781
Dec	823	806	826 810

Turnover: 10505 (4574) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 20 895.03 (894.25) :10 day average for Sep 21 920.40 (922.91)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	770	777	800 775
Nov	787	789	818 785
Jan	797	776	818 790
Mar	811	790	830 807
May	830	810	845 822
Jul	850	825	855 840
Sep	872	845	873 862

Turnover: 7684 (3051) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 20: Comp. daily 68.68 (67.98). 15 day average 69.95 (70.09)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	318.80	311.40	318.80 313.00
Dec	320.00	314.00	313.00 313.00
Mar	311.00	304.40	311.00 304.40
May	305.60	299.40	305.00 299.00
Aug	301.00	296.00	300.80 295.00
Oct	290.20	287.00	290.20 287.00
White	**Close**	**Previous**	**High/Low**
Dec	401.00	397.00	401.00 397.00
Mar	387.50	381.00	387.00 382.00
May	384.00	378.00	382.50 378.00
Aug	382.50	375.00	379.00
Oct	371.00	363.80	370.00 364.00
Dec	368.00	358.80	366.00
Mar	367.50	355.80	365.00 363.00

Turnover: Raw 4600 (3903)lots of 50 tonnes. White 2334 (836).
Paris- White (FFr per tonne): Dec 2635, Mar 2550, May 2525, Aug 2514, Oct 2470, Dec 2440.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	17.78	17.68	17.90 17.74
Dec	17.65	17.57	17.79 17.63
Jan	17.50	17.52	17.45
IPE Index	17.70	17.60	

Turnover: 8529 (5139)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	169.75	166.75	171.00 168.75
Nov	167.75	164.75	169.00 166.75
Dec	166.25	163.75	167.25 165.50
Jan	164.50	162.25	165.50 164.25
Feb	161.75	159.50	161.50
Mar	157.50	155.00	158.75
Apr	154.00	152.00	155.00 154.00
May	152.50	151.00	
Jun	152.50	152.00	152.50 151.50

Turnover 15155 (8193)lots of 100 tonnes

FRUIT AND VEGETABLES

Homegrown pears are abundant, with Comice 30-40p a lb and Comierence 25-40p, reports FFVIB. Larger sizes of French Williams are 35-60p (35-45p). Homegrown Bramley cooking apples 20-40p. English Damsons 50-75p and New Zealand kiwifruit 18-25p each are unchanged. The season for homegrown stick beans 60-90p a lb is almost over, but other vegetables, including broccoli 40-65p, courgettes 35-50p, leeks 40-60p and potatoes 10-17p, remain excellent. Salad prices are stable this week with tomatoes 40-60p, round lettuce 25-40p each, cucumbers 30-60p, celery 30-60p a head and watercress 30-40p a bunch.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,425 tonne
Cash	1663-5	1656-7		1643-4		
3 months	1670-2	1665-6	1675/1648	1653-5	1670-2	30,215 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,900 tonne
Cash	1812-4	1824-6	1813/1812	1812.5-3.5		
3 months	1815-7	1819-20	1839/1814	1815-7	1830-1	68,775 lots
Lead (£ per tonne)						Ring turnover 4,800 tonne
Cash	469.5-70	469-71	470.5/469	471-2		
3 months	464.5-5	465-6	467/462	464.5-5.5	468-9	12,391 lots
Nickel ($ per tonne)						Ring turnover 774 tonne
Cash	11000-100	11250-350	11200	11150-200		
3 months	10650-700	10920-5	10900/10650	10775-800	10675-700	5,711 lots
Tin ($ per tonne)						Ring turnover 340 tonne
Cash	8100-20	8089-91		8060-70		
3 months	8200-20	8185-200	8200/8160	8160-70	8200-25	5,329 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,050 tonne
Cash	1630-40	1640-5		1635-7		
3 months	1630-5	1634-5	1635/1610	1625-8	1636-40	13,654 lots
Zinc ($ per tonne)						Ring turnover 3,150 tonne
Cash	1580-90	1600-10		1574-5		
3 months	1570-5	1580-5		1567-70	1575-85	5,149 lots

LME Closing £/$ rate: SPOT: 1.5795 3 months: 1.5606 6 months: 1.5434 9 months: 1.5274

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	138.0	138.0	137.0 135.0
Feb	168.0	165.0	
Apr	204.5	207.9	205.0 197.5
May	233.0	236.0	229.0 225.0

Turnover 781 (554) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	146.50	149.00	148.00
Dec	145.00	147.00	148.00
Feb	145.50	147.00	

Turnover 15 (5)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Sep	1425	1432	1486 1467
Oct	1483	1489	1556 1545
Jan	1556	1559	1590 1579
Apr	1590	1599	1390
Jul	1401	1398	
BFI	1425	1435	

Turnover 397 (447)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	104.35	104.25	104.50 104.35
Nov	106.80	106.80	107.10 106.80
Jan	110.80	110.65	111.20 110.80
Mar	113.80	113.80	114.15 113.80
May	117.10	117.10	117.40 117.10
Jun	118.60	118.60	
Barley	**Close**	**Previous**	**High/Low**
Sep	101.25	100.85	101.25 101.05
Nov	103.50	103.40	103.55 103.50
Jan	107.50	107.45	107.50
Mar	110.60	110.45	110.60 110.50
May	112.65	112.65	112.75

Turnover: Wheat 463 (159), Barley 106 (32).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	134.5	134.5	135.0 134.0
Nov	139.0	139.0	138.0 137.0
Feb	125.0	125.0	125.0
Apr	125.0	125.0	124.5
Jun	122.0	118.5	122.0

Turnover 142 (22) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	363¼-363¾	229¾-230¼
Opening	363½-364	229½-230
Morning fix	362.95	230.269
Afternoon fix	362.8	229.649
Day's high	363¾-364¼	
Day's low	362½-363	
Coins	**$ price**	**£ equivalent**
Maple leaf	372-377	235-238
Britannia	372-377	235-238
US Eagle	372-377	235-238
Angel	372-377	235-238
Krugerrand	363-366	229½-231½
New Sov.	85-86	53¾-54½
Old Sov.	85-86	53¾-54½
Noble Plat	481.45-489.1	304.5-309.35

Silver fix	p/fine oz	US cts equiv
Spot	323.90	511.25
3 months	335.15	522.75
6 months	346.05	539.75
12 months	367.85	568.35

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1550	133	132	6	18
1650	59	69	31	52
1750	16	30	89	110
Copper (Grade A)	**Calls**		**Puts**	
2750	170	160	62	127
2850	114	116	105	180
2950	72	81	162	243
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	64	89	29	44
800	38	64	53	69
850	21	44	86	99
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700		92		27
750	78	64	22	40
800	49	42	43	77
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	86		11	30
1750	48	84	22	50
1800	22	40	48	77

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	365.8	364.9	0	0
Oct	366.3	365.7	366.5	364.5
Nov	368.6	368.0	0	0
Dec	370.3	370.1	370.6	368.6
Feb	374.2	374.0	374.5	373.1
Apr	378.2	378.1	377.8	377.0
Jun	382.4	382.3	381.8	381.6
Aug	386.5	386.4	0	0
Oct	390.8	390.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	478.1	478.2	478.8	475.5
Nov	478.8	479.9	0	0
Jan	481.6	481.8	482.0	479.5
Apr	484.6	484.6	484.6	483.0
Jul	487.6	487.6	487.0	487.0
Oct	491.1	491.1	493.0	493.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	518.1	511.9	519.0	513.5
Oct	519.2	513.2	0	0
Nov	523.6	517.6	0	0
Dec	527.5	521.5	528.0	519.0
Jan	530.5	524.5	0	0
Mar	539.2	533.1	540.0	531.1
May	547.4	541.2	544.0	541.0
Jul	555.8	549.4	553.5	549.0
Sep	564.5	558.1	563.5	560.0
Dec	576.7	570.3	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	136.80	137.30	137.80	135.50
Oct	130.30	130.95	0	0
Nov	128.40	129.00	0	0
Dec	126.50	126.70	127.80	125.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	19.75	19.68	19.98	19.66
Dec	19.58	19.46	19.72	19.49
Jan	19.40	19.26	19.48	19.32
Feb	19.24	19.11	19.35	19.19
Mar	19.13	19.00	19.19	19.05
Apr	19.06	18.94	19.12	19.01
May	19.00	18.86	19.05	18.98
Jul	18.92	18.79	18.95	18.92
Aug	18.90	18.75	18.90	18.87

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5740	5655	5790	5700
Nov	5795	5708	5850	5755
Dec	5850	5770	5890	5800
Jan	5790	5726	5825	5765
Feb	5670	5616	5720	5655
Mar	5430	5386	5455	5430
Apr	5280	5186	5280	5280
May	5125	5041	5125	5060

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1068	1051	1094	1055
Mar	1088	1048	1092	1054
May	1101	1063	1104	1067
Jul	1120	1081	1118	1084
Dec	1162	1129	1165	1136

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 20	Sept 19	mnth ago	yr ago
1893.1	1890.7	1907.3	1869.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.77	128.57	129.50	132.70
Futures	130.99	129.66	131.68	133.87

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	83.84	82.55	86.00	83.25
Mar	86.08	84.75	88.90	85.50
May	88.00	87.21	89.00	87.70
Jul	90.25	89.55	91.00	90.00
Sep	91.88	91.13	91.75	91.75
Dec	94.96	93.88	94.50	94.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.46	14.19	14.48	14.20
Jan	13.10	13.10	0	0
Mar	13.96	13.69	13.98	13.67
May	13.73	13.45	13.74	13.50
Jul	13.55	13.30	13.55	13.38
Oct	13.13	12.90	13.14	13.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	71.90	73.70	73.55	71.90
Dec	72.81	74.26	74.10	72.70
Mar	74.00	75.40	75.10	73.80
May	74.85	76.23	76.00	74.80
Jul	75.15	76.27	76.00	75.05
Oct	69.00	70.40	69.80	69.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	136.75	135.15	137.25	133.60
Jan	134.15	133.50	134.60	132.30
Mar	133.60	132.75	134.00	131.30
May	133.15	131.95	132.15	131.15
Jul	133.05	131.30	131.00	131.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	582/6	575/4	583/4	576/0
Jan	592/6	585/6	593/4	586/2
Mar	604/4	598/2	605/0	597/0
May	613/4	606/0	614/0	605/4
Jul	615/0	609/2	615/4	609/0
Aug	604/0	602/0	606/0	604/0
Sep	587/0	590/0	598/4	587/0
Nov	584/6	586/0	588/0	584/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.33	19.11	19.37	19.06
Dec	19.79	19.57	19.85	19.53
Jan	20.03	19.82	20.10	19.78
Mar	20.41	20.28	20.48	20.20
May	20.70	20.51	20.90	20.55
Jul	21.12	20.92	21.20	20.90
Aug	21.10	20.92	21.05	21.18
Sep	21.10	20.92	21.05	21.15

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	188.3	187.9	188.6	186.1
Dec	184.3	183.2	184.6	181.7
Jan	183.3	182.1	183.4	181.0
Mar	182.3	181.0	182.5	180.0
May	181.7	180.2	182.0	179.0
Jul	179.0	178.5	179.1	177.0
Aug	177.5	176.0	177.5	176.0
Sep	174.0	173.0	174.5	174.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	231/4	228/4	232/4	228/6
Mar	238/0	235/4	239/6	236/0
May	243/0	240/0	244/6	240/4
Jul	245/0	242/0	247/4	242/6
Sep	239/4	237/0	240/0	237/4
Dec	236/4	234/0	237/2	234/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	393/6	391/6	394/0	390/4
Mar	392/6	390/2	392/6	389/4
May	374/6	371/6	374/6	370/4
Jul	346/4	343/4	346/4	343/0
Sep	351/6	348/6	351/6	348/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.70	71.15	71.77	71.35
Dec	73.62	73.17	73.82	73.12
Feb	72.92	72.87	73.25	72.52
Apr	73.57	73.75	74.05	73.25
Jun	71.25	71.50	71.75	71.15
Aug	69.90	69.90	70.00	69.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41.90	41.77	42.40	41.72
Dec	43.60	43.60	43.85	43.30
Feb	44.42	44.60	44.92	44.30
Apr	42.15	42.45	42.70	42.10
Jun	46.87	46.97	47.00	46.75
Jul	47.22	47.65	47.40	47.15
Aug	45.70	45.95	45.90	45.65
Oct	42.60	42.85	0	42.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.75	49.50	49.50	[illegible]
Mar	48.82	49.50	49.50	[illegible]
May	50.10	50.80	50.50	49.60
Jul	49.90	51.00	50.55	49.80
Aug	48.70	48.10	49.60	48.70

LONDON STOCK EXCHANGE

Lively finish to a dull trading session

THE LONDON equity trading session came to life in late dealings yesterday when a sudden revival of takeover activity sent shares up to their best levels for the day. The closing flurry put something of a gloss on what had earlier been another halting and thinly-traded equity performance.

The Bundesbank's decision to leave credit policies unchanged soothed the latest round of interest rate worries, but in fact the market was not focussed on economic factors yesterday.

News that US Real GNP had slowed in the second quarter unsettled London only because there were fears that Wall Street might open lower. When the New York market came in firmer, London turned its attention back to more local matters.

The season of interim trading reports from leading UK companies continued, with good results scattered across the range of industrial stocks. Early trading saw the Footsie Index ahead by nearly 8 points before nervousness sparked by the US GNP data took London briefly into negative territory.

The final upturn, which featured a number of Footsie stocks, including Reuters, Asda and BAT Industries, left the FT-SE Index 11.1 points up at 2,380.9.

Turnover remained unexciting with Seaq volume at 413.8m shares against the 514.7m of the previous session. Once again, tradding volume was enhanced by activity in Jaguar as the London market responded to persistent hints that General Motors of the US or one of the Japanese car manufacturers might follow Ford into any battle for the UK luxury car maker. But traders were also busy trying to puzzle out the potential implications for Jaguar's future of the Golden Share, which blocks a full takeover of the company before 1991.

The speculative activity which featured the final hour of trading showed itself mostly in the food retailing sector, where Asda, the food and general retailer, returned to the limelight.International blue chips were mostly sidelined, with a handful of notable exceptions. Reuters closed strongly as Dow Jones, the US publisher and securities data firm, offered to buy the equity it does not already hold in Telerate, the US bond data reporting concern.

Glaxo shares, which helped unsettle the market earlier this week when they fell heavily despite a strong rise in profits, had an active session yesterday. After falling in early trading, the pharmaceutical group went ahead in late dealings when US buyers followed the view taken by two leading British securities houses — that the fall had been overdone and should be regarded as an opportunity for the large investment funds to increase their holdimngs of Glaxo shares.

Account Dealing Dates

First Dealings:	Sep 4	Sep 18	Oct 2
Option Declarations:	Sep 14	Sep 28	Oct 12
Last Dealings:	Sep 15	Sep 29	Oct 13
Account Day:	Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Sep 21	Sep 20	Sep 19	Sep 18	Sep 15	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.76	85.66	85.88	85.88	85.86	86.97	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.09	96.16	96.20	96.20	96.64	96.00	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1952.9	1954.6	1948.3	1958.9	1949.7	1440.7	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	206.9	203.5	203.6	204.1	207.1	182.7	207.1 (15/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2380.9	2369.8	2361.5	2373.8	2365.5	1768.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.16	4.17	4.18	4.09	4.11	4.79				
Earning Yld %(full)	9.95	9.98	10.01	9.87	9.92	12.03				
P/E Ratio(Net)(*)	12.11	12.07	12.04	12.21	12.15	10.08				
SEAQ Bargains(5pm)	22,979	24,309	23,083	21,430	20,878	20,686				
Equity Turnover(£m)†	-	1075.68	907.07	854.36	1352.65	1069.89				
Equity Bargains†	-	24,965	23,902	23,054	31,992	22,240				
Shares Traded (ml)†	-	441.6	347.3	344.9	654.1	353.0				

Ordinary Share Index, Hourly changes — Day's High 1962.9 — Day's Low 1948.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1953.4	1956.8	1956.2	1954.8	1948.8	1949.0	1951.8	1957.7

FT-SE, Hourly changes — Day's High 2380.9 — Day's Low 2365.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2375.3	2376.2	2372.7	2371.5	2366.9	2365.4	2369.2	2373.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ⊕ Nil 12.02.

S.E. ACTIVITY

Indices	Sep 20	Sep 19
Gilt Edged Bargains	60.9	64.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 - Day average		
Gilt Edged Bargains	76.0	80.3
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001.

American activity in Asda

Asda enjoyed a late run on yet more talk of imminent takeover activity. The shares moved up smartly from the day's low of 186p to 197½p, a gain of 7½ on the session. Turnover was particularly brisk, and by the close 17m shares had changed hands.

The story that set the price moving was that Asda had turned down an offer of 237p from a North American consortium. Asda would not comment; its practice is not to respond to market speculation. However, some operators in the market were taking the story seriously, with buyers moving into the stock in decent sizes. One US securities house in particular was seen buying up large lines of stock at 189p; 191p and 194p.

The company mentioned as behind the supposed consortium offer was Loblaw, a large Canadian retailing group which is part of the holding company run by the North American Weston family. In the UK Mr Garry Weston is chairman of Associated British Foods, which in the past has been named as a possible buyer of Asda.

Seasoned market observers of Asda were taking a sanguine view of the latest speculation. They pointed out that there are a number of large positions in Asda currently in the market, made up of sizeable chunks of stock bought when the price was above the 200p level. The recent weakness in Asda shares has put those speculative holders under pressure, and the temptation must be for them to talk the stock back up above 200p before selling out and avoiding a loss.

RMC anti-climax

A slight sense of anti-climax upset RMC shares which, having raced up to 743p early in the session, came off pretty sharply to end the day a net 3 off at 732p; turnover in the stock was a relatively thin 1.4m shares.

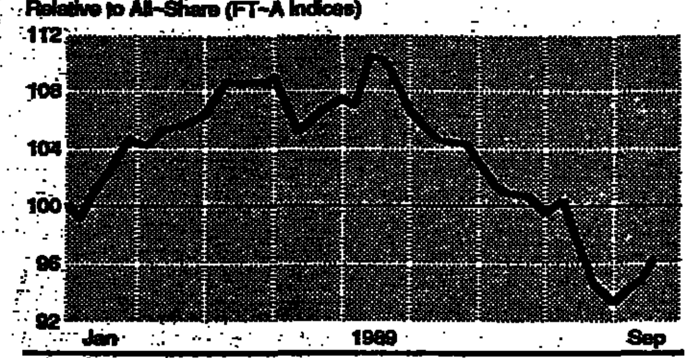
The interim figures from RMC were at the top end of market estimates, with pre-tax profits for the six months coming out some 34 per cent higher at £115.5m, compared with £86.2m last time, and the interim dividend was up from 4.6p to 5.8p, again matching the best expectations.

Sector specialists are taking the view that much of the good news in building shares has already been discounted in share prices earlier in the week when Tarmac and Steetley produced excellent figures. But it seems a shade unfair that RMC closed down on the day after such really good news, thought one trader.

Mr Mark Gibbon of the BZW buildings team remains positive on the stock: "RMC's growing overseas exposure, now 44 per cent of operating profits, and the group's financial strength means that we continue to believe the shares deserve a premium rating to the sector."

Building Materials

Relative to All-Share (FT-A Indices)



Jaguar fever

Continued speculation that General Motors, the world's largest car manufacturer, might soon be taking a stake in Jaguar, to rival Ford's declared intention, pushed the Jaguar share price even higher on the London market yesterday. It was also suggested that Japanese and European car manufacturers might be interested in acquiring Jaguar shares.

Some 11m shares were traded, down on the 15m totals of the past two days, but buying pressure pushed the price ahead another 48 to 558p. Contracts worth more than 3m Jaguar shares were also exchanged in the options market yesterday.

Jaguar shares have climbed 153p since Ford announced its intention of acquiring a stake in the British luxury car maker. A City analyst said of the rise in the shares: "It has reached the silly stage. The market is not working on fundamentals."

Wellcome falls

Reports of a potential rival for Retrovir, the anti-Aids drug manufactured by Wellcome, were greeted with scepticism by some analysts but brought a dip in the Wellcome share price. Mr Kah Foo of Robert Fleming said that the results of a major US trial of Imuthiol, made by Institut Merieux of France, will shortly be published. If the new drug gets US regulatory approval, Merieux expects to market it in France in the first half of next year and in the US soon afterwards.

At Nomura Research, Dr Erling Refsum doubted if Imuthiol, no newcomer to pharmaceutical specialists, will have much effect on Retrovir sales. Howver, since its medical properties contrast with Retrovir's, the two might be used as a combination treatment. Wellcome shares closed 11 down at 664p.

It was an active session for Reuters as the shares first reacted sharply to a substantial placing of stock, and then swung upwards as a planned deal by Dow Jones in the US turned the market spotlight on the data information sector. At the close of the London session, US buyers helped push Reuters shares to 952p, a net gain of 16 on turnover of 6.3m shares.

Early dealings saw the shares drop to around 930p as the market caught the scent of a placing of 2m shares at 929p by Warburg Securities. The block was believed to be a further placing of the Reuters stakes held by one of its newspaper stakeholders — News International was suggested as the likely name.

Not long after the successful completion of the deal, news came from the US that Dow Jones was offering to buy out the remaining shares in Telerate, its US bond information service which is widely used by Wall Street traders — news. The London stock market was favourably impressed by the terms of the proposed deal.

The announcement that Mannesmann, the German, steel and machinery manufacturer, had acquired a 5 per cent stake in TI group, by way of new shares, sent the share price rising, to close at 483 up 9 on the day. The Mannesmann stake has been taken at 525p a share, against 474p for TI stock in the market ahead of the news.

Midland jumped 9 more to 364p, with demand building up late in the session, after yet more tales of imminent takeover developments emanating from Hong Kong.

Hongkong & Shaghai Bank was said by speculators to be about to seek Bank of England permission to increase its holding and then launch a full bid, while another suggestion was that the bank was about to announce a buying in programme for its own stock. A more, plausible story, according to dealers, was of a stock shortage.

Other banks progressed with Barclays settling 4 up at 538p and NatWest the same amount up at 345p. TSB drew support on the basis that the shares are substantially undervalued and that a European predator may be waiting in the wings; TSB shares were finally 3 higher at 121p. A late run took the merchant banks higher.

News of a 95 per cent increase in interim profits from Brent Walker pushed the share price up by 10 from its opening, but it soon fell back and closed at 415p a gain of only a penny up on the day. "The sharp rise in the share price in recent days has been fully justified by the figures which are well above expectations, although they include a significant element of asset disposals; the rating is likely to remain below the leisure sector average but the shares still look cheap," said Mr Roy Owens at Kitcat & Aitken.

Turnover in the oil and gas sector was pitifully thin. British Gas continued to edged higher, closing marginally harder at 209½p, still helped by perceptions that the company's exploration and production area will provide a rapidly growing contribution to Gas profits in the next few years.

The smaller stocks provided a couple of interesting features, Tuskar Resources closing 2½ ahead at 56p despite news of the rights issue to raise I£8.9m, in the ratio of one-for-four at I£33p.

The Racal twins staged a strong rally after the recent bout of weakness triggered by numerous profits downgradings. Telecom moved up 9 to 228p and Electronics 16 to 384p.

Software group Logica raced up 15 to 354p after the preliminary profits advance from £14.74m to £18.84m.

The announcement by TVS that MTM, its US film and television subsidiary, would make a loss this year sent the shares down by 69 to 192p.

Blacks Leisure rose ¾ to 8¾p on the news that the company had contracted Mr Michael Jackson, the popular transatlantic performer, to design and market a line of its LA Gear fashion footwear and clothing. The news also helped Goldberg, the Scottish retailer, facing an unwanted all-paper bid from Blacks. Goldberg shares ended 10 higher at 154p, with one analyst describing the announcment of the deal with Mr Jackson as "extremely well-timed." The closing date for acceptances of Blacks offer for Goldberg shares is next Thursday.

News of a 27 per cent fall in half-year profits failed to unsettle Coats Viyella, which closed 2½ higher at 172p. Turnover was busy for the stock, with 5.8m shares changing hands in what dealers said was lively two-way business.

Tootal rose 3¼ to 131p on hopes that the Monopolies Commission will clear the agreed bid with Coats Viyella.

Another busy day in the building sector saw top-of-the-range profits from Steetley and Tarmac boost both stocks, the latter closing a few pence ahead at 300p on turnover of 1.8m and the former a good 6½ higher at 419½p.

The long-drawn out bid battle for control of Tilbury Contracting looked like going Tilbury's way as the saga drew toa close – the bid from Lilley ends at 1 pm today. Turnover in Tilbury totalled meagre 19,000 shares, which with Lilley claiming to speak for some 48 per cent of Tilbury stock and likely acceptances of possibly a further ½ per cent, indicates that Lilley may fall tantalisingly short of the 50 per cent mark.

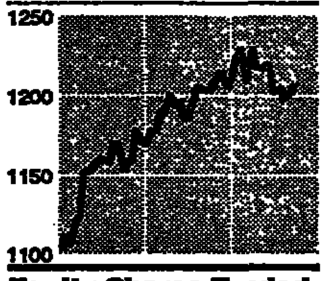
Elsewhere, there was plenty of big action in the housebuilders; Barratt Development slipped 2 to 191p amid talk of some big chart-inspired switching activity out of Barratt and into Beazer, with the latter closing a shade off at 192p.

Interim results from Laporte were given a very warm reception, the shares closing 16 higher at 516p.

Dalgety were a firm market, rising 10 to 414p on hopes that the group will soon find a buyer for Gill & Duffus, its commodities operation. There was also some talk that Mr Robert Holmes á Court has been adding to his 5.6 per cent stake, although yesterday's turnover indicated that he was not a buyer during the session.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

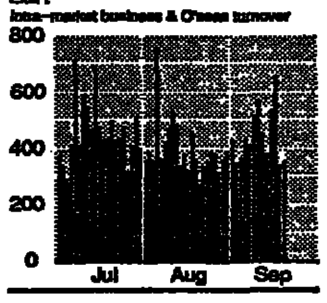
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excl: Intra-market business & O'seas turnover



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	LASMO	[illegible]	[illegible]	[illegible]	Sainsbury	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lucas	[illegible]	[illegible]	[illegible]	Sears	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	MEPC	[illegible]	[illegible]	[illegible]	Shell Transport	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marks & Spencer	[illegible]	[illegible]	[illegible]	Smith & Nephew	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Maxwell Comm.	[illegible]	[illegible]	[illegible]	SmithKline Beecham	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Midland Bank	[illegible]	[illegible]	[illegible]	Standard Chartered	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nat. West. Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Next	[illegible]	[illegible]	[illegible]	Sun Alliance	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Northern Foods	[illegible]	[illegible]	[illegible]	TI	[illegible]	[illegible]	[illegible]
BPB Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Pearson	[illegible]	[illegible]	[illegible]	TSB	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	P & O	[illegible]	[illegible]	[illegible]	Tarmac	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Pilkington	[illegible]	[illegible]	[illegible]	Tate & Lyle	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Taylor Woodrow	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Prudential	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	2,800	156	+8	Hammerson 'A'	152	799	-3	RHM	1,800	474	+5	Tesco	1,000	211	+2
Brit. Aerospace	2,800	625	-6	Hanson	3,700	225	+½	RMC	1,365	732	-3	THORN EMI	1,400	845	+4
British Airways	1,500	214	-2	Harrisons & Cros.	732	167		RTZ	2,070	578	+11	Trafalgar House	659	391	+1
British Gas	4,500	209½	+1	Hawker Siddeley	247	736	-8	Racal	5,500	226	+9	Trusthouse Forte	3,360	352	+4
British Land	37	368	-1	Hillsdown Hldgs.	841	314	+1	Rank Org.	114	950		Ultramar	1,400	338	+2
BP	2,400	316	+1	IMI	22	258	+1	Reckitt & Colman	78	1221	+2	Unilever	464	650	+1
British Steel	8,200	142	+1½	Imp. Chem.	311	1290	+2	Redland	2,450	568	+2	United Biscuits	614	391	+3
British Telecom	4,700	279	+2	Inchcape	1,100	291	-2	Reed International	1,500	435	-2	Utd. Newspapers	435	518	+15
Burmah Oil	497	629		Jaguar	10,958	548	+38	Reuters	6,300	952	+16	Wellcome	1,500	664	-11
Burton	1,500	265	-2	Kingfisher	1,400	346	+4	Rolls Royce	2,500	189½	-½	Whitbread 'A'	1,000	330	+4
Cable & Wireless	1,300	578	+4	Ladbroke	1,100	342	-2	Rothmans	22	659		Williams Hldgs.	423	270	-2
Cadbury Schweppes	283	394		Land Securities	1,000	571	-2	Royal Bk of Scotland	609	179	+1	Wimpey	233	280	
Carlton Comms.	322	924	-9	Laporte	812	516	+16	Royal Insurance	123	470	+4				
Commercial Union	1,100	457	-1	Legal & General	1,200	351	-1	STC	5,300	350	+1				
Coutaulds	1,000	335	+1	Lloyds Bank	191	407	+1	Saatchi & Saatchi	436	310	-1				

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (86).
AMERICANS (1) California Energy, CANADIANS (1) ABM Gold, BUILDINGS (3) Hatfield Ests., Quiligotti, STORES (2) Heritage, Leslie Wise, ELECTRICALS (3) Microlec, P&P, Philips Lamp, ENGINEERING (4) Atlas, TI Group, Tallos, FOODS (1) Brake Bros., INDUSTRIALS (13) AAF, Boots, Davis Godfrey, Eastern Prod., Eurocopy, Green (E) & Part., Hunting, Marling Ind., Parkfield, RPS, Rock, Sidlaw, Syltone, LEISURE (2) Brent Walker, Castle Comms., MOTORS (1) Jaguar, NEWSPAPERS (3) BPP, Planning Resch., Sterling Pub., TRANSPORT (1) NFC Var. Vtg., TRUSTS (8) Abtrust New Dawn I.T., Do. Warrants, Baltica, Flextech, MIG Wynd Inv. Tst., Precious Metals Tst., St. Andrew Tst., UTC 4.38pc Pf '98, OILS (2) Cons Brinco, Total-Cie, OVERSEAS TRADERS (1) Chillington, MINES (6) Anglo Am. Gold, Driefontein, Gold Fields S.A., Homestake Mining, Loraine, Western Deep.

NEW LOWS (45).
CANADIANS (4) Breakwater, Galactic Res., Nevada Goldfields, Sonora Gold, BUILDINGS (3) Baldwin, Danbury, Wiggins, CHEMICALS (2) Cambridge Isotope, Gaynor Gp., STORES (3) Blacks Leisure, Next, Specialeyes, ELECTRICALS (3) Densitron, Forward Gp., Star Comp., ENGINEERING (3) Lee (Arthur), Ransomes, Richards Gp., HOTELS (1) Harmony Leisure, INDUSTRIALS (7) Bodycote Intl., Brit. Bloodstock, Burndene, Chestergate, Reliant, Spandex, Wills, LEISURE (1) TVS Entertainment, MOTORS (5) Appleyard, Cook (D.C.), Cowie (T), Hartwell, Lancaster, Trimoco 11½pc '98, PAPERS (2) Hunterprint, Parkway, PROPERTY (3) Grainger Tst., Merchant Man. Ests., TEXTILES (3) Jerome, Mackay, SEET, TRUSTS (2) Gartmore Value Invs., Smith New Court Pf., OILS (1) Sandpiper Oil, MINES (1) Acorn Securities, THIRD MARKET (1) Peasant.

APPOINTMENTS

Hanson encourages "younger talent"

HANSON, UK-based conglomerate, has made a series of main board changes and management appointments, involving the resignation of three directors and the appointment of two executive directors and one non-executive, *writes Nikki Tait*.

Yesterday, Mr Martin Taylor, deputy chairman, said the changes were designed to give greater recognition to the group's US interests and to "the younger talent" within the company. They were all, he said, "entirely amicable".

Mr David Clarke and Mr John Raos become executive directors of Hanson. Mr Clarke, who is 48, joined the company in 1973 when it acquired Seacoast Products and has been an associate director of Hanson and president of Hanson Industries, its US arm, since 1978. Mr Raos, 40, also joined Hanson Industries in the 1970s and became senior vice-president in 1987.

As already announced, Mr Rudolph Agnew, former chairman of Consolidated Gold Fields, which was acquired by Hanson earlier this year, becomes a non-executive director.

The three resignations are those of Mr John Pattisson, Mr Hugh Ashton and Sir Gordon Booth, a non-executive director. Mr Pattisson has been with the group since the sixties and became an executive director in 1981. Mr Ashton joined from Schroders, the merchant bank, in 1985. Sir Gordon Booth was appointed in 1981. Hanson said that all three would be continuing with the company.

Mr Anthony Cotton, 46 and an associate director of Hanson since 1981, is becoming deputy chief operating officer in the UK, while Mr Graham Dransfield, Mr Malcolm Ablett and Mr Stephen Park - all in their thirties - and are being made associate directors.

Analysts saw yesterday's changes principally as a desire by Hanson to promote some of its younger executives. Mr Clarke, in particular, is viewed as "a rising star", and a possible contender for more senior office should Lord Hanson and Sir Gordon White, chairman of Hanson Industries, decide at some stage to retire from the day-to-day running of the business.

Legal & General property chief

Mr David Ormerod, *(left)* deputy managing director, will succeed Mr Peter Sim *(right)* as managing director of LEGAL & GENERAL PROPERTY on October 1. Mr Sim is leaving to form his own property company, Wildoak Properties. Mr Ormerod will be responsible for £3.5bn worth of property investments owned by Legal & General funds and a growing number of other clients.

■ Mr Gareth Roscoe has been appointed legal adviser to the BBC. He joins the Corporation on November 6 from the Department of the Environment, where he is deputy solicitor, and will succeed Mr Anthony Jennings who has retired.

■ SEAGRAM INTERNATIONAL has appointed Mr John Brindle as president and chief executive officer of the Chivas/Glenlivet group. He joined the company last year as vice president, business development, from William Grant & Sons where he was marketing director.

Mr John Hartrey has been appointed vice president commercial director of the Mumm Martel group. He will be based in Paris, and was vice president, marketing, of Seagram International.

■ FOOD BROKERS has appointed Mr Gavin Brown, commercial director, to a new post with overall responsibility for four departments - information technology, credit control, distribution, and finance.

■ CELLNET has appointed Mr Stephen Brewer as director of marketing. He was head of marketing at Computerland Europe.

■ CAL GROUP has appointed Mr Richard Kuras as dealing director of CAL Futures, and Mr Mike Mason-Williams as associate director. Mr Philip O'Neill becomes an associate director of CAL Investments. Mr Mason-Williams has also been appointed a director of Euro American Group, as has Mr Peter Astley-Sparke.

■ Mr Bob Parkes has been promoted to stores development director of HABITAT from operations director, and Mr Bob Graham to operations director from senior regional controller of BhS.

■ Mr Rob Searles has been appointed market development director of JOHNSON MATTHEY catalytic systems division. Further appointments made to the European autocatalyst team include Dr Pelham Hawker, sales and marketing director, Dr Dennis Webster, technology director, and Mr John Sykes, general manager, UK operations. The appointments follow recent legislation to limit car exhaust emissions.

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrgs	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.63	67.81	72.13	+0.16	4.57
European	5	78.57	78.85	83.88	+0.15	0.09
Far Eastern	5	63.16	68.22	72.57	+0.29	0.59
Growth Inc	5	87.74	91.18xd	96.99	-0.35	1.40
Growth Acc	5	87.81	91.25xd	97.07	-0.15	1.40
Income Inc	5	84.85	87.33xd	92.89	-0.81	4.59
Income Acc	5	84.96	87.43xd	93.00	-0.81	4.59
Property Share	5	55.12	55.12	58.75	+0.31	1.00
Smaller Co's	5	57.57	57.57	61.37	-0.24	1.55
Nth American	5	68.81	68.93	73.59	+0.09	1.50
International	5	51.03	51.03	54.57	-0.13	1.37
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	114.50	114.58	120.53	----	3.09
UK Growth	5	95.00	95.00	100.80	----	3.00
UK Income	5	95.00	95.00	100.00	----	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.00	67.29	71.50	+0.02	2.53
YUTM UK Eqty Inc Tst	5¼	60.46	62.70xd	66.70	-0.03	5.75
YUTM Intl Gwth Tst	5¼	54.75	54.75	58.41	+0.34	0.76

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	505.8	----	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Aug 31		353.45	----	4.61
Fxd Int Sec Aug 31		141.35	----	10.08
Deposit Aug 31		100.00	----	13.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Sept 20	163.3	167.3xd	-1.00	9.75
C'inco Acc Sept 20	686.5	703.6xd	-3.90	9.75
C'share Inc Sept 20	163.5	169.6xd	-1.10	3.57
C'share Acc Sept 20	181.0	187.7xd	-1.40	3.37
Charities Official Invest. Fund‡‡				

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	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Service Metro	138.4	145.6	-1.1	-
UK Metro	126.4	133.0	+0.3	-
N.Am Pn Fd Acc(z)	271.7	286.0	-2.8	-
Pac Basin Fd Acc(z)	198.6	209.0	-1.9	-
Property(z)	610.4	642.5	+0.1	-
Mlple Inv Pens Acc(z)	1547.3	1628.7	+1.4	-
Broker Funds				
Prof. Pen. Fd	101.6	106.9	+0.4	-
YRA Strategy	126.7	133.4	----	-
YRA Performance	109.1	114.7	-0.1	-
Laughton Dollar (SB)	144.4	151.9	+0.2	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	266.4	280.5	+0.1	-
Equity Acc	912.1	960.2	+0.4	-
Property Acc	511.2	538.2	-0.1	-
Far East Acc	215.6	227.0	-1.6	-
European Acc	25.3	26.7	----	-
Managed Acc	713.4	751.0	+0.1	-
Managed Cap	402.8	424.0	----	-
O'seas Earnings Acc	615.2	647.6	+2.1	-
Gilt Edged Acc	317.1	333.8	-0.2	-
American Equity Acc	486.1	511.7	-1.7	-
American Man Acc	224.1	235.9	-0.8	-
American Prop Acc	149.7	157.6	-0.7	-
Pen.F.I.Dep.Cap	294.4	309.9	+0.1	-
Pen.F.I.Dep.Acc	509.2	536.0	+0.2	-
Pen. Prop. Cap	597.7	629.2	-0.1	-
Pen. Prop. Acc	1144.3	1204.6	----	-
Pen. Man. Cap	876.0	922.2	+0.9	-
Pen. Man. Acc	1675.9	1764.2	+1.7	-
Pen.Gilt Edg.Cap	316.9	333.6	-0.2	-
Pen. Gilt Edg. Acc	495.4	521.5	-0.3	-
Pen. Eq. Cap	1452.2	1528.7	+1.8	-
Pen. Eq. Acc	2104.1	2214.9	+2.9	-
Pen. Am. Eq Cap	162.3	170.9	-0.9	-
Pen. Am. Eq Acc	208.2	218.8	-1.1	-
Pen. Far East Cap	257.3	270.9	+0.7	-
Pen. Far East Acc	316.2	332.9	+1.0	-
Pen. Euro Cap	30.7	32.4	+0.2	-
Pen. Euro. Acc	33.7	35.5	+0.2	-
Pen. B.S. Acc	559.9	587.9	+0.2	-
Pen. B.S. Cap	332.8	349.5	+0.1	-

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INSURANCES

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Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	129.0	136.0	+2.0	—
Building Soc. Fd.	174.0	184.0	.....	—
Balanced	294.0	310.0	.....	—
European	193.0	204.0	.....	—
CT Managed	192.0	203.0	−1.0	—
Gartmore Mngd	128.0	135.0	.....	—
German	138.0	146.0	.....	—
Gilt	183.0	193.0	.....	—
Global	50.0	53.0	.....	—
High Inc.	121.0	128.0	.....	—
International Equity	206.0	217.0	.....	—
Japan	266.0	280.0	.....	—
Managed	64.0	68.0	.....	—
Property	292.0	308.0	.....	—
R W Imperial Gold	155.0	164.0	.....	—
UK Equity	367.0	387.0	−1.0	—
Pension Funds				
American	153.0	162.0	.....	—
Building Soc. Fd.	176.0	186.0	.....	—
Balanced	227.0	239.0	.....	—
European	192.0	203.0	.....	—
German	121.0	128.0	.....	—
Gilt	159.0	168.0	.....	—
International Equity	148.0	156.0	.....	—
Japan	145.0	153.0	.....	—
Managed	67.0	71.0	−1.0	—
Property	224.0	236.0	.....	—
UK Equity	336.0	354.0	−1.0	—
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	97.66	103.25	−0.23	—
Pensions Cash Fund	79.59	83.78	+0.03	—
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	597.4	628.9	+0.1	—
Equity	869.3	915.1	−1.1	—
Global Equity	258.5	272.2	+0.9	—
Fixed Interest	412.4	434.2	−0.7	—
Property	409.1	430.7	.....	—
Cash	161.5	170.1	+0.2	—
Index Linked Gilt	203.6	214.4	−0.2	—
Guaranteed	12.93		.....	—
International Money	206.7	217.6	−0.4	—
North American	82.5	86.9	−0.2	—
Japanese	150.5	158.5	+1.5	—
European	106.1	111.7	.....	—
Special Situations	123.4	129.9	−0.3	—
Communications	112.6	118.6	.....	—
Smaller Companies	116.2	122.3	−0.4	—
International Small Cos	145.4	153.1	+0.3	—
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Sept 20	£167.40	172.80	−0.87	—
Equity Sept 20	£184.27	191.08	−1.48	—
International Sept 20	£28.58	29.22	−0.2	—
Intl Bond Sept 20	£12.69	12.84	−0.07	—
Fixed Int Sept 20	£73.99	74.80	−0.1	—
Index Linked Sept 20	£63.40	64.19	−0.15	—
Property Sept 20	£115.81	122.61	+1.4	—
Cash Sept 20	£21.6297	21.6297	+0.0548	—
Pru-Linked Retirement Plan				
Managed Sept 19	408.9	426.0	.....	—
Cash Sept 19	203.0	213.5	.....	—
Prudential Pensions Investment Account				
Pens Mngd Sept 21	165.3	177.6	+1.2	—
Pens UK Eq Sept 21	319.6	344.5	+3.7	—
Pens Intl Sept 21	196.2	210.9	−0.3	—
Pens Fixed Sept 21	169.1	178.6	−0.4	—
Pens Index Lk Sept 21	161.7	170.7	+0.1	—
Pens Cash Sept 21	132.5	139.6	.....	—

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99	98	Exch 11pc 1989	99	.....	–	–
99	95⅝	Treas 5pc 1986-89	99⅛xd	.....	–	–
99	98⅝	Exch 10¼pcCv '89	99	.....	10.31	13.15
101	99	Treas 13pc 1990‡‡	99¾	.....	13.03	12.93
132⅝	124	Treas 2pc IL '90(84.6)	132⅛	.....	2.09	9.98
99	98	Exch 11pc 1990‡‡	99¼	.....	11.08	12.74
101	99	Exch. 12½pc 1990	99	–	12.54	13.28
95¼	91	Treas. 3pc 1990	95½	–	3.14	10.51
97¾	95⅝	Treas 8¼pc 1987-90‡‡	97	.....	8.49	12.36
98	95¼	Treas 8pc Cv 1990‡‡	96¾	–	8.27	12.26
98	96	Treas. 10pcCv 1990	97xd	–	10.26	12.56
93	87	Exch 2½pc 1990	92	–	2.69	9.12
101	98	Treas 11¾pc 1991	99	–	11.83	12.24
93¼	89⅞	Funding 5¾pc '87-91‡‡	93¼xd	–	6.17	10.64
90⅞	86	Treas. 3pc 1991	90	–	3.32	9.57
100	95	Treas 10pc Cv '91‡‡	96	–	10.32	11.91
101	97	Exch. 11pc 1991	98xd	–	11.15	11.76
94	91	Treas. 8pc 1991	92	–	8.61	11.69
106	102	Treas 12¾pc 1992‡‡	102	–	12.39	11.27
99½	95	Treas 10pc 1992	97	–	10.30	11.37
94	91	Treas. 8pc 1992‡‡	92⅝xd	–	8.63	11.37
100¼	96	Treas 10½pc Cv 1992‡‡	98	–	10.69	11.26
85⅝	82¼	Treas. 3pc 1992	84¾	–	3.54	9.46
105	101¼	Exch. 12¼pc '92	102¾	–	11.96	11.24
109¾	104	Exch 13½pc 1992	105	–	12.75	11.13
94	90	Treas 8¼pc 1993	92	–	8.94	10.99
100	95¾	Treas 10pc 1993‡‡	97xd	–	10.26	10.88
108¼	103	Treas 12½pc 1993‡‡	104	–	11.93	10.90
88	84¼	Funding 6pc 1993‡‡	86	–	6.91	10.08
113¼	108¼	Treas 13¾pc 1993‡‡	109⅝	–	12.55	10.81
94⅜	89¾	Treas. 8½pc 1994	91	–	9.25	10.86
117	112	Treas 14½pc 1994‡‡	113	–	12.80	10.66
113	107	Exch 13½pc 1994	109xd	–	12.39	10.84
100⅛	95	Treas. 10pc Ln. 1994‡‡	97	–	10.26	10.67
110¼	104	Exch. 12½pc 1994	106	–	11.77	10.82
		Five to Fifteen Years				
96	91⅜	Treas 9pc 1994‡‡	93	–	9.61	10.61
108	102	Treas 12pc 1995	104⅝	–	11.47	10.80
79⅞	74½	Exch 3pc Gas 90-95	75½	–	3.97	8.59
101	95¾	Exch. 10¼pc 1995	98⅛	–	10.45	10.67
113	107⅛	Treas 12¾pc 1995‡‡	109	–	11.65	10.61
119	112⅜	Treas. 14pc '96	114	–	12.22	10.75
97½	91	Treas. 9pc 1992-96‡‡	93	–	9.61	10.37
126	119	Treas 15¼pc 1996‡‡	121½	–	12.56	10.63
117	110	Exch 13¼pc 1996‡‡	112	–	11.80	10.60
101	94	Conversion 10pc 1996	97⅜	–	10.27	10.51
118½	110¾	Treas 13¼pc 1997‡‡	113	–	11.69	10.56
104	97⅛	Exch 10½pc 1997	99	–	10.50	10.48
95	88¼	Treas 8¾pc 1997‡‡	91	–	9.54	10.30
128⅝	120	Exch 15pc 1997	122xd	–	12.19	10.68
100	93	Exch. 9¾pc 1998	96	–	10.10	10.37
84⅞	78⅝	Treas 6¾pc 1995-98‡‡	81⅝	–	8.28	10.00
134	125	Treas. 15½pc '98‡‡	128½xd	–	12.05	10.51
113	105¼	Exch. 12pc 1998	108	–	11.03	10.47
100⅝	93	Treas 9½pc 1999‡‡	96	–	9.86	10.10
115⅞	107½	Exch. 12¼pc 1999	110xd	–	11.06	10.44
105⅝	97⅞	Treas. 10½pc 1999	100⅞	–	10.40	10.33
104	96⅛	Conversion 10¼pc 1999	99½	–	10.29	10.30
94	86⅞	Treas. 8½pc Ln 2000‡‡	90¼	–	9.43	10.04
97	90	Conversion 9pc 2000‡‡	93¼	–	9.65	10.05
122	113	Treas. 13pc 2000	116⅜	–	11.16	10.41
103⅝	95⅝	Treas 10pc 2001	98	–	10.10	10.14
124	115	Treas. 14pc '98-01	118	–	11.79	10.63
102	94	Conversion 9¾pc 2001	97	–	9.99	10.09
113	105½	Exch. 12pc '99-02	108¼	–	11.03	10.49
104	96	Conversion 10pc 2002	99¾xd	–	10.02	10.03
102	94	Treas 9¾pc 2002	98	–	9.93	10.00
97	89	Exch. 9pc 2002	93¼	–	9.65	9.91
126	117	Treas. 13¾pc 2000-03	120	–	11.36	10.45
105⅝	97⅛	Treas 10pc 2003	100⅞	–	9.91	9.88
113	104	Treas. 11½pc 2001-04	108	–	10.64	10.29
106	97⅝	Treas. 10pc 2004	101¼	–	9.88	9.83
59⅞	55	Funding 3½pc '99-04	57¼	–	6.10	8.65

BRITISH FUNDS – Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Over Fifteen Years				
102	94¼	Conversion 9½pc 2004	97⅞xd	–	9.70	9.76
103	94½	Conversion 9½pc 2005	98¼xd	–	9.68	9.73
111¼	102	Exch.10½pc 2005	106	–	9.88	9.71
125	115⅝	Treas. 12½pc 2003-05	119¼	–	10.48	9.92
90⅞	82⅞	Treas. 8pc 2002-06‡‡	86xd	–	9.27	9.65
105⅞	97	Conversion 9¾pc 2006	100	–	9.68	9.65
118	109	Treas. 11¾pc 2003-07	113	–	10.38	9.92
96	87	Treas 8½pc 2007‡‡	91	–	9.31	9.51
134⅝	123⅝	Treas. 13½pc '04-08	127xd	–	10.56	9.85
101	92	Treas. 9pc 2008‡‡	95xd	–	9.37	9.45
92	84	Treas 8pc 2009	87xd	–	9.15	9.41
102	93	Conv 9pc Ln 2011‡‡	96⅝	–	9.30	9.34
68⅝	62	Treas. 5½pc 2008-12‡‡	65	–	8.46	9.17
89⅞	82	Treas. 7¾pc 2012-15‡‡	84	–	9.12	9.29
132	121¼	Exch. 12pc '13-'17	125⅛	–	9.59	9.36
		Undated				
45⅝	41½	Consols 4pc	42	.....	9.43	–
40⅞	36⅝	War Loan 3½pc‡‡	37¾	.....	9.27	–
70	60⅞	Conv. 3½pc '61 Aft	64¼xd	.....	5.41	–
41	31	Treas. 3pc '66 Aft	34xd	.....	8.82	–
30¼	26	Consols 2½pc	26xd	.....	9.32	–
29½	25¾	Treas. 2½pc	26xd	.....	9.41	–
		Index-Linked				
		(b)			(1)	(2)
112¾	103	Tr. 2pc '92‡‡(97.8)	111⅝xd	–	2.14	3.26
105	94	Do. 2 '94 (102.9)	104	–	2.56	3.16
155	139¼	Do 2pc '96(67.9)	153¼	–	2.80	3.22
130	118	Do 2½pc '01(78.3)	128⅞xd	–	3.29	3.56
127	115⅝	Do. 2½pc '03(78.8)	125⅞	–	3.37	3.61
131	117	Do. 2pc '06(69.5)	129	–	3.41	3.61
123	110¼	Do. 2½pc '09(78.8)	120⅝	+	3.43	3.61
128	114	Do. 2½pc '11(74.6)	125	–	3.43	3.60
106¼	95¼	Do. 2½pc '13(89.2)	104	–	3.42	3.57
115⅜	101¼	Do. 2½pc '16(81.6)	113	–	3.38	3.53
112	100⅞	Do. 2½pc '20(83.0)	110⅞xd	–	3.34	3.48
95	84	Do. 2½pc '24‡‡(97.7)	93	–	3.31	3.43

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1989: 111.0 and for August 1989: 115.8.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	99½	African Dv Bk 11¼ Ln 2010	103	–	10.79	10.74
104⅞	96¼	Asian Dev Bk 10¼pcLn2009	99¼	+	10.33	10.33
130	119	Australia 13½pc 2010	123xd	.....	10.96	10.69
113	102	Do. 11¾pcLn2015	106	–	10.70	10.65
108	99	Euro Inv Bk 11pc Ln 2002	105	+	10.66	10.54
104	95	Do. 10¼pc2004	99	+	10.48	10.49
119	109	Int-Am Dev Bk 12½pc 2003	112	.....	11.10	10.69
99¾	90	Do. 9¾pcLn 2015	93	–	10.38	10.42
97½	91½	Mlysia 10¾pcLn 2009	95xd	.....	11.32	11.39
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	100½	.....	13.43	11.20
111½	102½	Do. 11½pc 2012	104½	.....	11.00	11.00
91	86½	GLC 6¾pc 1990-92	88½xd	.....	7.63	12.20
124½	14½	Leeds 13½pc 2006	119½xd	.....	11.30	10.94
33	30	Liverpool 3½pc Irred	32xd	.....	10.94	–
95½	92	LCC 6¾pc '88-90	94½	.....	7.14	11.90
30	27	Do. 3pc '20 Aft	28xd	.....	10.71	–
107½	101½	Manchester 11½pc 2007	103½	.....	11.11	11.05

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88½	–	8.19	11.90
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

LUXEMBOURG (**)

ISLE OF MAN (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS—Contd

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BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

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PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ✤ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1989-90. N Dividend and yield based on prospectus or other official estimates for 1990-91. P Figures based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	[illegible]
Craig & Rose £1	[illegible]
Finlay Pkg 5p	[illegible]
Holt (Jos) 25p	[illegible]
Arnotts	[illegible]
Carroll (P.J.)	[illegible]
Hall (R. & H.)	[illegible]
Heiton Hldgs	[illegible]

IRISH

Exch 8¾% Ln 1991	[illegible]
Nat 9¾% 84/89	[illegible]
Fin 13% 97/02	[illegible]
Irish Ropes	[illegible]
Unidare	[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	43
Comm Union	32
Courtaulds	30
FKI	14
FNFC	32
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
PHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
SmithKline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	30
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fed acts to hold down dollar

THE DECISION by the West German Bundesbank to leave its discount and Lombard rates unchanged provided only brief support for the US dollar yesterday because the US Federal Reserve then moved quickly to sell dollars.

The mood of the market was filled with tension during the early part of the day, and much of the time was taken up with speculation as to whether the Bundesbank would increase rates so close to the weekend meeting of the Group of Seven countriesin Washington. The weight of opinion remained on the side of rates staying the same, and this proved to be the case.

Consequently, the dollar started to edge firmer, but the US Fed intervened to stem the rise, leaving unanswered the interesting question as to how much further the dollar would have risen without intervention. Most people already hold long positions, and there is unlikely to be anything approaching an aggressive push on the US unit so close to the G7 meeting.

Furthermore, it has become obvious over the past few days that the Japanese and West German authorities are less than happy with the dollar's current strength. The most obvious drawbacks include a reduction in US import costs and reduced export competitiveness. At the same time, West German exports become easier to sell at a time when productivity is already running at its highest level for a decade. Many think that the prospect of higher German rates has not gone away but has merely been postponed.

The dollar adopted a much steadier tone after the Fed's intervention, and closed at DM1.9440 from DM1.9405 and Y145.30 against Y145.00. Elsewhere, it finished at SFr1.6830 from SFr1.6810 and FFr6.5700 compared with FFr6.5550. On Bank of England figures, the dollar's exchange rate index rose to 71.6 from 71.4.

Sterling lost ground as the dollar improved during the morning but recovered later in the day to finish with an unchanged exchange rate index of 91.6. The pound held up well against the D-Mark and stayed within the DM3.06-3.08 range seen recently. Sentiment was underpinned by the latest recent economic data which at best suggests that UK rates are unlikely to fall in the near term.

The pound closed at $1.5810 from $1.5820 and DM3.0725 from DM3.0700. It was also slightly firmer against the yen at Y229.75 from Y229.50. Elsewhere, it finished at SFr2.6600 unchanged from Wednesday and FFr10.3875 compared with FFr10.3700.

The D-Mark reversed earlier gains built up ahead of the Bundesbank meeting and finished towards the day's lows against most of its trading partners in the European Monetary System. It fell below L720 against the Italian lira to close at L719.65 from L721.20 on Wednesday. However, it managed to show a small gain against the French franc

£ IN NEW YORK

Sep.21	Latest	Previous Close
£ Spot	1.5800-1.5810	1.5830-1.5840
1 month	0.63-0.62pm	0.66-0.65pm
3 months	1.90-1.86pm	1.88-1.85pm
12 months	6.28-6.18pm	6.69-6.59pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.21	Previous
8.30 am	91.6	91.4
9.00 am	91.6	91.4
10.00 am	91.6	91.4
11.00 am	91.6	91.4
Noon	91.6	91.5
1.00 pm	91.6	91.6
2.00 pm	91.6	91.6
3.00 pm	91.6	91.5
4.00 pm	91.6	91.6

CURRENCY RATES

Sep.21	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	[illegible]	1.48216
U S Dollar	7	[illegible]	1.06567
Canadian $	12.36	[illegible]	1.26166
Austrian Sch.	5	[illegible]	14.5953
Belgian Franc	7.75	[illegible]	43.4768
Danish Krone	9½	[illegible]	8.06449
Deutsche Mark	5.00	[illegible]	2.07487
Neth. Guilder	6.00	[illegible]	2.33937
French Franc	9½	[illegible]	7.01213
Italian Lira	13½	[illegible]	1495.35
Japanese Yen	3¼	[illegible]	155.254
Norway Krone	8	[illegible]	7.56841
Spanish Peseta	-	[illegible]	129.586
Swedish Krona	9½	[illegible]	7.02492
Swiss Franc	5½	[illegible]	1.79566
Greek Drach.	20½	[illegible]	180.120
Irish Punt	-	[illegible]	0.777864

† Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Sep.20

CURRENCY MOVEMENTS

Sep.21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.6	-19.6
U.S Dollar	71.6	-6.5
Canadian Dollar	104.7	+1.2
Austrian Schilling	105.9	+9.7
Belgian Franc	105.9	-6.1
Danish Krone	103.4	-1.6
Deutsche Mark	112.7	+20.3
Swiss Franc	106.7	+10.8
Guilder	110.3	+13.2
French Franc	99.5	-15.3
Lira	99.3	-18.8
Yen	136.7	+66.3

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100) **Rates are for Sep.20

OTHER CURRENCIES

Sep.21	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	64.55-64.65	40.65-40.75
Malaysia	4.2520-4.2630	2.6935-2.6955
Mexico	4072.45-4089.60	2578.00-2588.00
N. Zealand	2.6680-2.6740	1.6890-1.6920
Saudi Ar.	5.9360-5.9415	3.7500-3.7510
Singapore	3.1235-3.1290	1.9780-1.9800
S. Af (Cm)	4.4140-4.4250	2.7975-2.8005
S. Af (Fn)	6.2925-6.4205	3.9840-4.0650
Taiwan	40.50-40.60	25.65-25.70
U.A.E.	5.8125-5.8180	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4768	+2.40	-	±1.5424
Danish Krone	7.85212	8.06449	+2.70	-	±1.6419
German D-Mark	2.05853	2.07487	+0.79	-	±1.1019
French Franc	6.90403	7.01213	+1.57	-	±1.3719
Dutch Guilder	2.31943	2.33937	+0.86	-	±1.5019
Irish Punt	0.768411	0.777864	+1.23	-	±1.6689
Italian Lira	1483.58	1495.35	+0.79	-	±4.0815
Spanish Peseta	133.804	129.586	-3.15	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sep.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5745 - 1.5830	1.5805 - 1.5815	0.64-0.62cpm	4.78	1.89-1.85pm	4.73
Canada	1.8665 - 1.8730	1.8710 - 1.8720	0.25-0.19cpm	1.41	0.76-0.64pm	1.50
Netherlands	3.45¾ - 3.47	3.46 - 3.47	1⅞-1¾cpm	6.28	5⅛-5pm	5.84
Belgium	64.15 - 64.50	64.30 - 64.40	30-28cpm	5.41	84-80pm	5.10
Denmark	11.91½ - 11.95¼	11.94¼ - 11.95¼	4⅛-3⅞orepm	4.02	11½-11¼pm	3.83
Ireland	1.1480 - 1.1550	1.1520 - 1.1530	0.40-0.35ppm	3.90	1.10-1.00pm	3.64
W Germany	3.06¼ - 3.07½	3.07 - 3.07½	1⅝-1⅝pfpm	6.59	4⅞-4⅝pm	6.18
Portugal	256.50 - 258.45	257.10 - 258.10	7-25cdis	-0.75	12-55dis	-0.52
Spain	191.50 - 192.30	191.85 - 192.15	6-15cdis	-0.66	23-40dis	-0.66
Italy	2210¼ - 2215¼	2211½ - 2212½	5-3lirepm	2.17	9-7pm	1.45
Norway	11.18½ - 11.21¼	11.20¾ - 11.21¾	2⅞-2⅝orepm	2.94	8⅛-7⅞pm	2.90
France	10.37 - 10.39¼	10.38¾ - 10.39¾	4⅛-3⅞cpm	4.62	11½-11¼pm	4.40
Sweden	10.38¼ - 10.41½	10.40½ - 10.41½	1⅞-1⅝orepm	2.02	5½-5¼pm	2.04
Japan	229 - 230¼	229¾ - 230¼	1⅝-1½ypm	8.16	4⅝-4⅜pm	7.94
Austria	21.57 - 21.63	21.59 - 21.62	11¾-11groepm	6.35	35-32pm	6.20
Switzerland	2.65½ - 2.66½	2.65½ - 2.66½	1½-1⅜cpm	6.48	4⅛-4pm	6.11
ECU	1.4770 - 1.4810	1.4800 - 1.4810	0.52-0.49cpm	4.09	1.44-1.39pm	3.82

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.55-64.65 Six-month forward dollar 3.64-3.59cpm 12 Months 6.60-6.50pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5745 - 1.5830	1.5805 - 1.5815	0.64-0.62cpm	4.78	1.89-1.85pm	4.73
Ireland†	1.3690 - 1.3750	1.3710 - 1.3720	0.11-0.07cpm	0.79	0.50-0.40pm	1.31
Canada	1.1820 - 1.1850	1.1840 - 1.1850	0.32-0.34cdis	-3.35	0.95-0.99dis	-3.28
Netherlands	2.1850 - 2.1965	2.1905 - 2.1915	0.27-0.25cpm	1.42	0.67-0.63pm	1.19
Belgium	40.55 - 40.80	40.65 - 40.75	2.50-1.50cpm	0.59	5.00-2.50pm	0.37
Denmark	7.53½ - 7.57½	7.55½ - 7.56	0.35-0.60oredis	-0.75	1.55-1.90dis	-0.91
W. Germany	1.9370 - 1.9490	1.9435 - 1.9445	0.27-0.24pfpm	1.57	0.71-0.67pm	1.42
Portugal	162.90 - 163.25	163.00 - 163.10	50-60cdis	-4.05	205-230dis	-5.33
Spain	121.15 - 121.75	121.50 - 121.60	52-62cdis	-4.20	160-170dis	-4.05
Italy	1397½ - 1404	1398¾ - 1399¼	3.30-3.90liredis	-3.08	11.20-12.20dis	-3.34
Norway	7.07 - 7.10¾	7.09 - 7.09½	1.00-1.25oredis	-1.90	3.20-3.50dis	-1.89
France	6.55 - 6.58½	6.56¾ - 6.57¼	0.03-0.10cdis	-0.12	0.50-0.65dis	-0.35
Sweden	6.56¾ - 6.59¾	6.58¼ - 6.58¾	1.40-1.55oredis	-2.69	4.35-4.60dis	-2.72
Japan	144.80 - 145.55	145.25 - 145.35	0.40-0.38ypm	3.22	1.20-1.16pm	3.25
Austria	13.64½ - 13.70½	13.68 - 13.68½	1.95-1.45gropm	1.49	5.70-4.20pm	1.45
Switzerland	1.6775 - 1.6870	1.6825 - 1.6835	0.23-0.20cpm	1.53	0.58-0.54pm	1.33
ECU	1.0665 - 1.0685	1.0665 - 1.0675	0.06-0.05cpm	0.62	0.26-0.23pm	0.92

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.80-40.90.

EURO-CURRENCY INTEREST RATES

Sep.21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅞-13⅞	13⅞-13⅞	13⅞-13⅞	13⅞-13⅞	13⅞-13⅞	13¾-13⅝
US Dollar	9-8⅞	9⅛-8⅞	9-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8¾
Can. Dollar	12¼-12	12¼-12	12⅛-12⅛	12¼-12	12⅛-11⅞	11⅞-11¾
D. Guilder	7⅛-7⅛	7⅛-7⅛	7½-7⅜	7⅞-7⅞	7¾-7⅝	7¾-7⅝
Sw. Franc	7-6¾	7¼-7⅛	7½-7⅜	7⅝-7½	7⅝-7½	7½-7⅜
Deutschmark	7⅛-6⅞	7⅛-7⅛	7¼-7⅛	7⅛-7⅛	7⅛-7⅛	7⅜-7¼
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅞-8⅝ per cent; three years 8⅞-8⅝ per cent; four years 9-8¾ per cent; five years 9⅛-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.581	3.073	229.8	10.39	2.660	3.465	2212	1.872	64.35
$	0.633	1	1.944	145.4	6.572	1.682	2.192	1399	1.184	40.70
DM	0.325	0.514	1	74.78	3.381	0.866	1.128	719.8	0.609	20.94
YEN	4.352	6.880	13.37	1000.	45.21	11.58	15.08	9626	8.146	280.0
F Fr.	0.962	1.522	2.958	221.2	10.	2.560	3.335	2129	1.802	61.93
S Fr.	0.376	0.594	1.155	86.39	3.906	1	1.303	831.6	0.704	24.19
H Fl.	0.289	0.456	0.887	66.32	2.999	0.768	1	638.4	0.540	18.57
Lira	0.452	0.715	1.389	103.9	4.697	1.203	1.566	1000.	0.846	29.09
C $	0.534	0.845	1.642	122.8	5.550	1.421	1.851	1182	1	34.38
B Fr.	1.554	2.457	4.775	357.1	16.15	4.134	5.385	3437	2.909	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

A more optimistic tone

FINANCIAL MARKETS in London are undoubtedly becoming a little more optimistic. Union Discount, not usually noted as having an excessively bullish attitude, recently recommended buying short sterling on Liffe, in the belief that about 95 per cent of the market was short and the contract was due for a reversal, with any likely bad UK economic news already discounted.

Now one of Liffe's larger traders, GNI has admitted to buying long gilt call options. UK economic news is likely to be mixed, according to GNI, but the good should outweigh the bad over the coming months. It believes that the economic slowdown is proceeding, albeit slowly, and this will be reflected in better August trade figures next Tuesday. GNI suggests that gilt prices have declined far enough in recent weeks and may be due a bounce.

December long gilt futures closed near the day's high on Liffe, at 94-07, but slightly lower than Wednesday's settlement of 94-11.

Short sterling for December delivery eased to 86.40 from 86.46, but rallied from the day's low of 86.36 on news that the Bundesbank had left its official interest rates unchanged.

LIFFE LONG GILT FUTURES OPTIONS

£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS

DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS

£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%; 7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%; US TREASURY BONDS 8% $100,000 32nds of 100%; 6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%; THREE MONTH STERLING £500,000 points of 100%; THREE MONTH EURODOLLAR $1m points of 100%; THREE MONTH EUROMARK DM 1m points of 100%; FT-SE 100 INDEX £25 per full index point; POUND-$ (FOREIGN EXCHANGE); IMM-STERLING $ per £

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; SWISS FRANC (IMM) SFr 125,000 $ per SFr; STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.14	2.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.81	3.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.27	5.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.14	6.56
[illegible]	1.14	1.81	2.27	3.14	3.38	4.61	5.79	8.10
[illegible]	0.49	1.09	1.61	2.34	5.28	6.39	7.52	9.79
[illegible]	0.16	0.61	1.06	1.83	7.45	8.39	9.44	11.61

Previous day's open int: Calls 299,898 Puts 270,754 (All currencies)
Previous day's volume: Calls 32,188 Puts 13,496 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	Nat Westminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
Allied Trust Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'antee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Hampshire Trust Plc	14½	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	Heritable & Gen Inv Bnk	14	Yorkshire Bank	14
Brit Bk of Mid East	14	● Hill Samuel	§14		
● Brown Shipley	14	C. Hoare & Co.	14		
Business Mtge Tst	14½	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
		Midland Bank	14		
		Mount Banking	14		
		Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold P	$ 380	66	17	-	-	-	-	$ 363.80
		Oct. 89		Jan. 90		Apr. 90		
EOE Index C	Fl. 305	42	17.50 a	-	-	-	-	Fl. 320.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 40,630

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

No German changes

WHOLESALE MONEY markets around the world were relieved after the West German Bundesbank council left credit policies unchanged yesterday, with the discount rate remaining at 5.00 per cent and the Lombard rate at 7.00 per cent. Frankfurt call money eased slightly to 6.90 per cent from 6.95 on the news.

Fear of higher official interest rates had faded over the last few days, with dealers believing the Bundesbank would be reluctant to make a move ahead of the Washington Group of Seven meeting.

UK clearing bank base lending rate 14 per cent from May 24

Nevertheless, officials in Germany and Japan have expressed concern about the high level of the dollar and by implication the relative weakness of the D-Mark and yen. German inflation of 2.9 per cent is among the lowest in the world, but the latest Bundesbank monthly report said there was no reason for the central bank to let down its guard on this subject. The report highlighted provisional figures that August M3 money supply growth rose to about 5¼ per cent, from 5 per cent. Target growth for 1989 is 5 per cent.

Domestic issues, such as the forthcoming round of wage negotiations and rising money supply growth, coupled with the currency situation, mean the threat of higher German rates will continue to overshadow the money markets.

In London three-month interbank was unchanged at 13 15/16-13⅞ per cent before and after the Bundesbank meeting. The mood in London was relaxed, with no expectation of any change in bank base rates in the near future. Dealers admit there is a risk of a rise in base rates, but noted that sterling has managed to shrug off some fairly disappointing UK economic data of late. A rise would probably require higher German rates and more unfavourable UK economic news.

Overnight money was firm, touching 14⅛-14 per cent, on the Bank of England forecast of a higher than expected money market credit shortage. This was initially put at £850m, but was revised up to £1,050m at noon and changed to £1,000m in the afternoon.

Total help of £934m was provided; before lunch the authorities bought £662m bank bills in band 1 at 13¾-13 25/32 per cent and in the afternoon another £272m bills were bought in band 1 at similar rates.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £471m, with Exchequer transactions absorbing £360m; a rise in the note circulation £65m; and bank balances below target £55m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.21) 3 months US dollars		6 months US Dollars	
bid 8 9/16	offer 8 11/16	bid 8 9/16	offer 8 11/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	7.76	Three year	8.22
Broker loan rate	10¼	Two month	7.79	Five year	8.19
Fed funds	8⅞	Three month	8.08	Seven year	8.21
Fed funds at intervention	8⅞	Six month	8.09	10-year	8.15
		One year	7.91	30-year	8.15

Sep 21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

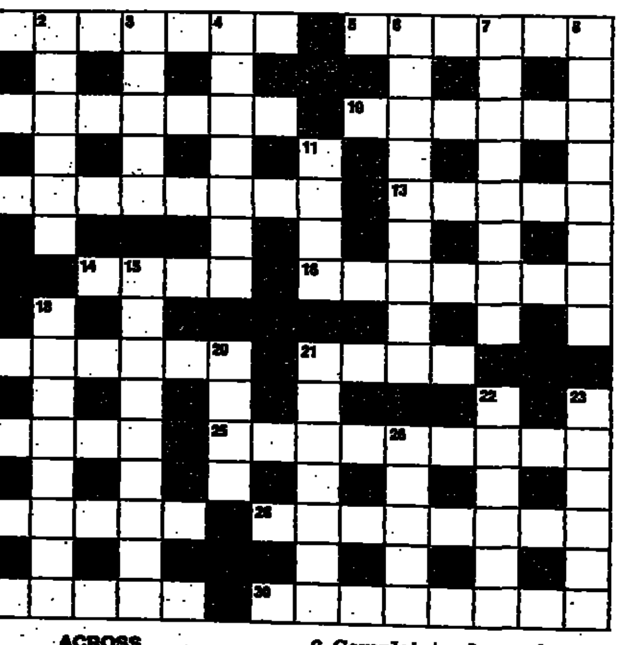
Sep.21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14	14	13⅞	13⅞	13⅞
Interbank Bid	12	13¾	13⅞	13⅞	13⅞	13⅞
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 13⅝ per cent; three months 13⅝ per cent; Bank Bills (sell); one-month 13⅝ per cent; three months 13⅝ per cent; Treasury Bills; Average tender rate of discount 13.4610 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1989. Agreed rates for period September 26 to October 24, 1989, Scheme I: 14.76 p.c. Schemes II & III: 15.16 p.c. Reference rate for period August 1 to August 31, 1989, Scheme IV&V: 13.880 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,044 Set by VIXEN



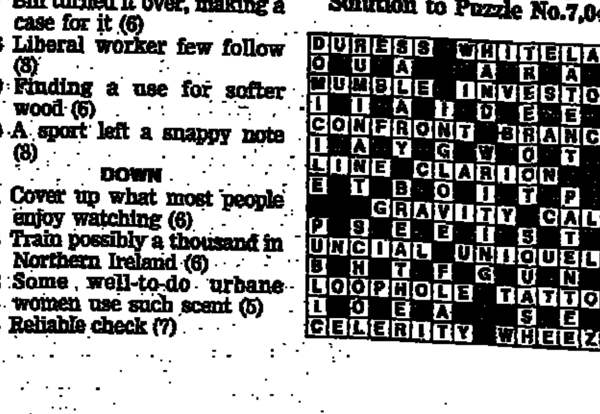
ACROSS

1 Fish roes, as he ordered (8)
5 Publicity about the German calculators (6)
9 Sensible though outmoded wear for a bishop (8)
10 Back a relentless association (6)
12 People leaving teams ring for replacement (9)
13 The person having a meal in a new cafe – a terrible place (5)
14 Leading a monarch to church (4)
16 Stay to drink some wine (7)
19 May be seen as a perceptive faculty (7)
21 Express discontent when fish is served (4)
24 Holy man with little heart but amiable (5)
25 There's fruit for maybe nine – great! (9)
27 Bill turned it over, making a case for it (6)
28 Liberal worker few follow (8)
29 Finding a use for softer wood (6)
30 A sport left a snappy note (8)

DOWN

1 Cover up what most people enjoy watching (6)
2 Train possibly a thousand in Northern Ireland (6)
3 Some, well-to-do urbane women use such scent (5)
4 Reliable check (7)
6 Complaint of a colourful character? (9)
7 An occasion when 22 down can't be choosy! (8)
8 Not a rise negotiated for a foreign girl (8)
11 Crawlers show a certain craft about parking (4)
15 Rough site being transformed? That's good! (9)
17 Reward the personnel officer (8)
18 Get the fool to enrol – he's quite agreeable (8)
20 Carry a child one way (4)
21 Singing may precede the leave-taking (7)
22 Sound birds, though they're not yet mature (6)
23 It's really hard to cut the horse's tail (6)
26 Soldiers pass up and down (5)

Solution to Puzzle No.7,043



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · SINGAPORE · JAPAN

CANADA

TORONTO

2pm prices september 21

INDICES

NEW YORK

DOW JONES	Sep 20	Sep 19	Sep 18	Sep 15	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2683.89	2687.31	2687.50	2674.58	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	92.97	92.89	92.84	93.01	94.15 (2/8)	87.35 (23/3)		
Transport	1457.33	1450.21	1442.21	1439.72	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.43	216.55	216.49	215.54	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

‡Day's High 2703.46 (2709.35) Low 2672.49 (2675.91)

STANDARD AND POOR'S

	Sep 20	Sep 19	Sep 18	Sep 15	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite $	346.47	346.55	346.73	345.06	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	395.60	395.98	396.18	394.35	405.27 (1/9)	318.66 (3/11)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.03	32.95	33.13	32.76	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	192.45	192.46	192.43	191.59	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	379.14	378.83	379.50	379.64	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	466.72	467.05	466.89	467.57	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 15	Sep 8	Aug 25	year ago (approx.)
Dow Industrial Div. Yield	3.76	3.70	3.39	3.68
	Sep 13	**Sep 6**	**Aug 30**	**year ago (approx.)**
S & P Industrial div. yield	2.89	2.86	2.83	3.24
S & P Indl. P/E ratio	14.46	14.61	14.67	12.80

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Southeast Bank	1,612,300	26½	—
Portland	1,302,900	23⅞	+ ⅛
Texaco	1,254,600	50⅞	- ⅛
Am T & T	1,224,200	41⅞	- ⅛
Spain Fund	1,176,900	28¼	+ 7
Upjohn	1,158,900	35⅞	- ½
Amer Corp	1,086,700	78½	+ 2
Syntex	1,069,500	45½	+ ⅞
General Motors	1,051,900	48	- ⅞
Bristol Myers	1,051,400	49¾	+ ½

TRADING ACTIVITY

† Volume Millions	Sep 20	Sep 19	Sep 18
New York	136.640	136.688	137.640
Amex	12.156	9.685	9.419
NASDAQ	137.051	136.708	105.052
Issues Traded	1,949	1,953	1,943
Rises	708	712	754
Falls	703	709	674
Unchanged	538	532	515
New Highs	46	48	34
New Lows	28	33	28

CANADA

TORONTO	Sep 20	Sep 19	Sep 18	Sep 15	1989 HIGH	1989 LOW
Metals & Minerals	3667.4	3660.95	3689.9	3704.1	3919.2 (1/9)	3207.5 (3/1)
Composite	3906.5	3900.95	3899.3	3896.3	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	1997.05	1998.24	1997.39	1995.70	2053.80 (1/9)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 21	Sep. 20	Sep. 19	Sep. 18	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1714.8	1734.0	1745.9	1735.9	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	838.8	843.2	849.1	843.9	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	443.96	441.50	440.98	(u)	443.96 (21/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6702.10	6706.17	6718.68	6736.25	6736.25 (19/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	332.77	332.45	332.95	333.87	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	722.7	731.3	733.1	758.7	815.6 (18/4)	722.7 (21/9)
FRANCE						
CAC General (31/12/82)	543.7	542.6	541.6	540.6	543.7 (21/9)	417.9 (4/1)
Ind. Tendance(30/12/88)	124.3	124.5	124.4	125.4	125.9 (6/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	674.93	674.79	671.56	664.21	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2019.4	2015.0	2009.0	1986.1	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1611.42	1612.87	1614.16	1605.11	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2665.75	2631.20	2628.30	2648.21	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1754.74	1751.65	1758.06	1759.28	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	709.90	712.14	716.54	727.95	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34745.02	34470.58	34471.07	34472.54	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2633.52	2615.58	2619.07	2622.23	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	(u)	272.0	272.5	271.3	272.3 (19/9)	208.3 (3/1)
CBS All Shr (End 1983)	(u)	209.2	209.4	208.6	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	685.92	688.8	685.95	692.28	692.28 (18/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1135.86	1129.10	1127.46	1133.44	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1401.35	1394.97	1399.27	1404.51	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1610.0§	1600.0	1589.0	1577.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2737.0§	2730.0	2729.0	2725.0	2338.0 (25/8)	1951.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	938.13	943.87	952.02	955.17	1007.80 (3/4)	646.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	325.20	324.68	324.90	324.68	323.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4299.7	4283.9	4311.0	4334.7	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	814.9	818.8	818.7	812.7	829.1 (6/9)	613.1 (3/1)
TAIWAN						
Weighted Price (30/6/66)	10567.06	10635.91	10679.83	10672.02	10679.83 (19/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	708.24	702.92	691.32	695.48	724.95 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	531.5	530.5	529.4	551.2 (3/8)	487.6 (13/6)

§ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday September 21 1989

	Stocks Traded	Closing Prices	Change on day
Marudai	15.2m	2,230	+170
Toyobo	10.0m	914	+27
Nippon Steel	9.8m	767	-4
Tomen	7.6m	801	+25
Hitachi Zosen	7.3m	835	+15
Nippon Chmcl	7.3m	1,460	+200
Kawasaki Kisen	7.2m	934	-1
Toho Bank	6.7m	1,090	+80
Nippon Soda	5.8m	1,380	-70
NKK	5.5m	756	0

3pm prices september 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 47

ماكنة أصل

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44¼	29⅞	XTRA	.72	2.4	9	69	30	29⅞	29⅞	− ⅛
33	24½	XTRA pf1.94		7.7		4	25⅛	25⅛	25⅛	− ⅛
4⅛	2	Zapata				249	2⅛	2⅛	2⅛	
22⅝	14	ZenithE				637	14½	14⅛	14⅜	− ⅛
10⅞	8¼	Zeolnc	1.26	15.		245	8⅝	8½	8½	
2⅜	1⅛	vjZenLb				989	1⅝	1½	1½	− ⅛
21½	15	ZenNtl	.84	4.4	9	9	19⅛	19	19⅛	+ ⅛
18½	11¾	Zero s	.40	2.2	17	100	18	17¾	17⅞	− ⅛
44¼	23¾	Zurnin	.68	1.7	19	287	40	39⅝	39⅞	+ ⅛
12	10	Zweig	1.08e	9.3		195	11⅝	11⅝	11⅝	
10⅞	8¾	ZweigTl	.96	10.		2544	9⅝	9⅛	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices september 21

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices september 21

[illegible]

AMERICA

Dow rises after economic reshuffle

Wall Street

A SLOW day on Wall Street saw equities moving broadly higher yesterday in quiet trading, *writes Karen Zagor in New York.*

At 2 pm. the Dow Jones Industrial Average was up 8.55 points at 2,692.44. Volume on the New York Stock Exchange was moderately light, with fewer than 100m shares changing hands by 1 pm.

Among broader market indices, the Standard & Poor's 500 was up 1.95 points at 348.42 at 1 pm, the New York Stock Exchange Composite rose 0.96 points at 193.41 and the American Exchange Composite added 0.89 points to 379.90.

The utilities sector was the only Dow Jones stock average to fall. At 1 pm, the Dow Jones Utilities Average was down 0.06 points at 217.37.

Stocks received some support from the debt market, where US treasury bonds moved modestly higher. In midsession trading the Treasury's benchmark 30-year bond was up 1/8 point at 99 3/32, yielding 8.14 per cent.

The Federal Reserve did not intervene in the open market when Fed Funds, the rate at which banks lend to each other, were changing hands at 8 3/4 per cent.

Both stock and bond markets were encouraged by a downward revision in the second quarter gross national product, which was reported as growing at an annual rate of 2.5 per cent, revised from 2.7 per cent. Wall Street had not expected this second revision to the GNP. The growth rate is the lowest since the GNP expanded at an annual rate of 2.3 per cent in the fourth quarter of 1986.

The implicit price deflator, a measure of inflation, was left unchanged at 4.6 per cent.

The dollar traded on a firmer note in the early afternoon, in spite of reports that the Bundesbank council in West Germany had left interest rates unchanged. There had been earlier speculation that West German rates would be lifted after the meeting. At midday, the dollar was trading at Y145.90 and DM1.9480, above the Y145.18 and DM1.9425 late Wednesday in New York.

A number of bank issues moved higher, with traders expecting them to increase their loan loss provisions, in keeping with moves by Manufacturers Hanover and Chase Manhattan earlier this week.

Citicorp rose $1/4 to $31 7/8, Bankers Trust gained $3/4 to $51 1/2 and J.P. Morgan was up $1/4 at $40 1/4.

Chase Manhattan added $3/4 to $40 1/4 to trade near its 1989 high of $40 3/8. Manufacturers Hanover was also quoted near its year high of $44 1/2, at $43 3/4, up $3/4.

First Bank Systems gained $3/4 to $21. Shares have fallen from $23 at last Friday's close after the commercial banking group said it would increase its loan loss provision in the third quarter by $35m compared with $20.5m in the second quarter.

Spain Funds plunged $3 1/4 to $25 1/2, after leaping $7 to $28 3/4 the previous day. The closed-end investment company's investment adviser, Alliance Capital Management, said it could not account for the stock's dramatic movement.

First Liberty Financial Corporation plummeted $2 3/4 to $8 3/4 after a local Atlanta paper said the thrift would report fourth quarter pre-tax losses of $17m resulting from the sale of its mortgage-backed securities portfolio.

Telerate surged $5 1/8 to $30 3/4 after Dow Jones suggested acquiring the remaining shares outstanding in Telerate for $18-a-share. Dow Jones already holds about 65.2 per cent of Telerate's stock. Dow Jones gained $1/4 to $37 3/4.

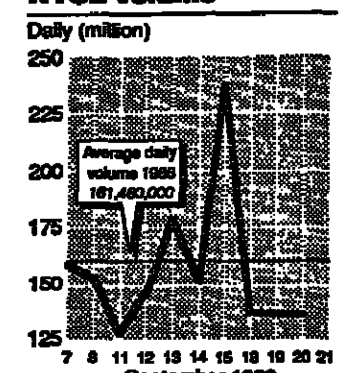
New Jersey Steel plunged $1 1/4 to $16 1/4 in over-the-counter trading after an analyst at Donaldson Lufkin and Jenrette removed the issue from his "buy" list.

Among other steel companies, USX gained $1/4 to $33 3/4 while Bethlehem Steel was up $1/4 at $23 1/4.

In the airline sector, AMR fell $1/4 to $78 1/4, USAir fell $1/4 to $47 1/4, Delta Air Lines dipped $1/4 to $71 1/2 and Pan Am was unchanged at $3 3/4.

Among blue chip issues, Coca Cola was unchanged at $62 3/8, IBM was up $1 at $117 and Merck was up $1/4 at $72 1/4.

NYSE volume



CANADA

TRADING was moderate and stocks mixed to slightly higher as the Toronto composite index fell 3.2 to 3,903.2.

Rises outpaced falls by 244 to 217 on volume of 15.5m shares. Industrials were mixed but oils and metals were firmer.

Connaught Bioscience rose again, gaining C$3/4 to C$13 1/4 on continuing speculation of a counterbid.

Chile retreats despite profits growth

Barbara Durr explains why Santiago has not fulfilled expectations

CONTRARY to euphoric market expectations earlier this year – and a number of overly optimistic broker predictions – the Santiago Stock Exchange has been in a saw-toothed descent since May.

The exchange's general index fell from 637.23 on May 31 to 531.40 on September 15. The select index, composed of the 40 most actively traded stocks of the total of 203, subsided from a 47 per cent increase for the year to May to just a 15 per cent gain for the 12 months to mid-September.

The slide comes as several international investment funds are gearing up to funnel $120m or more into the Chilean equities and securities markets. The unhappy coincidence was especially acute last week when the market took a strong dive, just as a Salomon team was globe-trotting to sell shares in its $60m Chile Fund.

Citibank is bringing in two small funds of $4m each; Batterymarch is expected to deliver $10m to $15m to Chile through its Luxembourg-based Equity Fund for Latin America; and three other international funds are in the proposal stages.

Yet the Santiago market's prolonged dip has little to do with Chile's economic fundamentals. Company profits this year are still strong.

SANTIAGO STOCK EXCHANGE

	1984	1985	1986	1987	1988
No. of companies listed	208	215	215	211	203
Value traded (US$m)†	42.0	60.0	338.4	544.9	656.3
Market cap (US$m)	2,246	2,429	4,646	5,710	7,105
Turnover ratio by value	1.9	2.7	7.3	9.5	9.2

† Amounts are in millions of dollars valued at the December 1988 exchange rate of 240.01 Chilean pesos to the dollar. Source: Fundación, 1988, Santiago Stock Exchange and Superintendency of Stock, Securities and Insurance.

Mr Fernando Alvarado, the Superintendent of Stocks, Securities and Insurance, has predicted that profits will rise by 20 per cent in 1989, following last year's 22 per cent rise. Gross domestic product growth for 1989 is expected to be 8.5 per cent, with inflation running at the relatively low rate of 16 per cent.

Mr Tomas Hatton, one of Chile's most prominent stockbrokers, a partner in the old-guard firm of De la Cerda, Hatton, Palma Stock Brokers, is forthright about the slide. "There is clearly no economic reason for the drop in the market," he says.

Mr Hatton believes that the shallow market, with many small and few institutional investors, has been responding largely to political events.

Logic would have indicated a sharp decline in the market after the defeat of Gen Augusto Pinochet in a national plebiscite in October 1988, he explains. The business community has been the favoured child of the military regime's free market policies, and a return to democracy – likely to be accompanied by labour union activity and higher taxes – was not necessarily regarded as a positive business event.

But the political situation was offset by anticipation of a change in investing laws for Chile's private pension funds, which hold $4bn and are the largest single element in the country's capital markets. Expanded pension fund investment was expected to bring an avalanche of $400m to $500m into stocks. This buoyed up the market from November last year until May.

In May, however, when the law was finally passed, the avalanche did not occur. Investor disappointment set in. Many small speculators, who had aimed to reap near-immediate, 50 per cent profits from a scramble for Chile's limited amount of shares, despaired and left the market.

Pension funds held back partly because precise regulatory rules for how they can invest, including a rating of company shares, are neither approved nor officially published. The regulations and ratings should be out by the end of October. At the same time, the pension funds say that they have no need to move quickly; that they will pick their shares, and their moments, carefully to minimise any upward effect on the market.

In December, Chile holds free congressional and presidential elections for the first time since Gen Pinochet took over in a coup in 1973. The leading opposition candidate, Mr Patricio Aylwin, is widely expected to win. The business community is sceptical at best and hostile at worst to the idea of an opposition government.

However, life will go on after next March, when a democratically elected government takes office. After 45 years on the exchange, Mr Hatton hazards the guess that people will then realise that that the new government is not as bad as they feared – and that the market will stabilise.

EUROPE

Relief on interest rates gives shares a late boost

IN CONTRAST to the pattern of the previous two days, a number of markets yesterday found an extra inch of pace after a sluggish start, *writes Our Markets Staff.*

FRANKFURT closed mixed in nervous trading, as the market awaited the outcome of yesterday's Bundesbank meeting. Key interest rates were eventually left unchanged, and blue chips improved after hours.

Some of them, indeed, had found willing takers before the official close. The market indices were middling, with the FAZ 0.14 lower at 674.93 and the DAX down 1.45 at 1,611.42. However, Hoesch was DM7.70 better at DM268.50 by then, Deutsche Bank closed DM4.80 higher at DM678, and Siemens rose DM3.70 to DM602.70, once again breaching the DM600 barrier.

These three, in that order, were the most actively traded stocks of the day, in turnover of DM482m, DM393m and DM320m respectively. Market volume rose again, from DM4.6bn to DM4.8bn. After hours, Deutsche Bank and Siemens maintained their momentum, with further rises of DM10 and DM2.30 respectively.

Among retailers, Co op eased only DM1 to DM159, leaving a strong smell of burnt speculator behind it.

PARIS finished the September account in fairly confident manner, with stocks closing higher after a midsession dip.

"The market turned more positive as the day went on, with genuine investment interest in a few stocks," said one salesman. The bourse welcomed the lack of action by the West German Bundesbank on interest rates and was relieved that the French budget was out of the way.

The CAC General index, calculated at the opening, reached its third all-time peak in a row, adding 1.1 to 543.7. The CAC 40 index rose 2.26 to 897.37 while the OMF 50 index eased 0.31 to 527.89.

Rhône-Poulenc, the chemicals group, recovered some of Wednesday's losses after its purchase of two speciality chemicals units from the US and the UK. The investment certificates gained FFr8 to FFr562 after falling FFr32 the previous day. Speculation about how the state-controlled company will finance the deal continued.

Chargeurs, the airline and textile holding company, fell FFr52 to FFr1,1213 as the market analysed its news that consolidated net profits more than doubled in the first half. After stripping out an exceptional item the profits showed a steep fall from the same period a year ago.

MILAN saw its late comeback in banks, which contained the retreat in the Comit index to 2.24, at 709.90. Good first half reports have been issued this week by Banca Commerciale Italiana, up L58 to L5,469, Credito Italiano and Nuovo Banco Ambrosiano, which settled L100 higher at L5,000, and stepped even higher in active after-market trades.

The brunt of selling yesterday hit the insurance sector, where Generali fell L300 to L45,200. First half results from Generali, released after hours, seemed better than the market was expecting. Big retailers had another good day, with Rinascente up L85 to L7,620 and Standa L100 to L33,100.

AMSTERDAM had an uninspiring but steady session, with the CBS tendency index ending flat at 117.5.

Philips continued to attract attention, rising 60 cents to close above its Fl 48 technical resistance level at Fl 48.30, after receiving several buy recommendations from brokers recently. Ahold also performed well, adding Fl 2.20 to Fl 137 on foreign buying.

Domestic and US interest helped buoy up Ahrend, the office furniture company, which gained Fl 5 to Fl 295 amid continued speculation about Bührmann-Tetterode's takeover intentions.

BRUSSELS saw most stocks make gains in moderate trading on the first day of the new trading account. The cash market index, however, eased 4.07 to 6,702.10.

Cockerill, the steel maker, saw record turnover as new stock issued in a recent public offer made its entry into the market. Some 1.3m shares changed hands and the shares were quoted BFr36 down at BFr258.

Acec-Union Minière, the recently formed engineering and non-ferrous metals arm of Société Générale de Belgique, dropped BFr246 to BFr440 on the first day of its FFr1.7bn rights issue. However, it had issued 2.175m shares at BFr250 each.

ZURICH ended marginally lower in quiet trading, worried about interest rates and unmoved by Wednesday's after hours results from Nestlé – good, but expectedly so. The Crédit Suisse index declined 2.2 to 656.9.

MADRID moved higher after initial losses, pulled up by electrical stocks and individual issues. The general index gained 0.52 to 325.20.

STOCKHOLM picked up after falling earlier in the day, bringing its two weeks of declines to a halt. The Affärsvärlden general index gained 5.8 to 1,278.9 as turnover swelled to SKr316m from the previous day's SKr283m.

HELSINKI made its ninth loss in a row, as the Unitas index shed 8.6, or 1.2 per cent, to 722.7.

SOUTH AFRICA

GOLD shares continued to show small gains and helped the Johannesburg market to close slightly higher. Trading remained cautious, however.

ASIA PACIFIC

Investment funds push Nikkei sharply higher

Tokyo

IN A SHOW of resilience, equities rose sharply yesterday on a round of small-lot buying. But the upturn was not supported by market volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei index posted a gain of 274.44 to close at 34,745.02, its highest level since August 25. Turnover stayed moderate at 655m shares, only slightly higher than the 648m traded on Wednesday. The day's high for the Nikkei was 34,758.50 while the low was 34,536.65.

Advances led declines by 636 to 307 while 179 issues were unchanged. The Topix index of all listed shares advanced 17.94 to 2,633.52 and, in London, the ISE/Nikkei 50 index rose 1.91 to 2,016.64.

Although the recovery in the yen offered some encouragement to investors, the rise in share prices was largely attributed to index-linked buying by investment funds and to arbitrage trading. Five new investment funds were launched yesterday, seeking an aggregate of Y170bn.

The growth of index funds and arbitrage activity, and investors' reluctance to invest in heavily capitalised issues, is complicating assessment of equity trends, according to the professionals. "From now on, we cannot depend on the Nikkei index to give a clear picture of the market," said Mr Mitsuru Maekawa at Jardine Fleming.

Meanwhile, the meeting of branch managers at a leading securities house which, frequently, has come up with themes to give the market a buying boost, failed to do so this time.

"It is going to be difficult to get the market going on any major themes," said Mr Maekawa. Instead, it was more likely that rotational buying of special situation issues will continue, taking turns with profit-taking.

Takeover talk attracted buying interest. Maruetsu, the supermarket chain rumoured to be the target of a bid, topped the volumes list with 15.2m shares and rose Y410 to Y2,450.

Another sector which has seen bid speculation is the chemical industry. Nippon Chemical, a maker of inorganic chemicals, advanced Y200 to Y1,460 on speculation that it is a target.

Elsewhere, Toyobo, a spinning company expanding into plastics films, biochemicals and electronics, advanced after making a discovery, in co-operation with Kyushu University, on the structure of liver cells. Toyobo was second on the volumes list with 10m shares, and rose Y27 to Y914.

Interest in retailers and regional banks helped the OSE average in Osaka post a 88.64 point gain to 35,079.10. Turnover slipped to 131m shares.

Roundup

ECONOMIC news pushed Australian stocks into retreat, but there were moderate rallies in Hong Kong and Singapore yesterday.

AUSTRALIA was unprepared for the size of the current account deficit announced yesterday, even though it had been expecting a record number. The A$2.58bn figure, which exceeded most forecasts of less than A$2.1bn, led to a moderate fall on the stock market and a sharp retreat by the Australian dollar.

The All Ordinaries index lost 19.2 to 1,714.8, with industrial stocks leading the losses. Turnover slipped to 123m shares worth A$246m from 166m and A$249m on Wednesday.

One of the day's few winners was Burns Philp, the food manufacturer and hardware retailer, which added 10 cents to A$3.60 after the 34 per cent rise in after-tax operating profit, and the proposed one-for-10 scrip issue announced on Wednesday.

NEW ZEALAND lost its hold on the previous day's gains as the New Zealand dollar rose against the Australian currency in the wake of Australia's record current account deficit, and share prices fell sharply in light volume. The Barclays index ended 43.95, or 1.2 per cent, lower at 2,272.89.

HONG KONG attracted back foreign investors, who helped the Hang Seng index rally 34.55 to 2,665.75. Turnover was HK$1.1bn from Wednesday's HK$902m.

Property stocks made the best gains, as the sub-index rose 124.65 to 4,308.68.

SINGAPORE also had a better day, buoyed by a property sale at a record price. The Straits Times industrial index rose 6.36 to 1,401.35, with property issues leading the way.

UIC, the conglomerate, which said it had agreed to sell a shopping and office complex and adjoining vacant site for a record price of about S$30,500 a square metre, added 28 cents to S$2.34 as more than 13.7m shares changed hands.

TAIWAN fell further, with the weighted index losing 68.55 to 10,567.06.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 20 1989						TUESDAY SEPTEMBER 19 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.38	−0.6	144.68	132.36	−0.7	4.88	155.32	146.39	133.31	157.14	128.28	138.26
Austria (19)	151.29	+1.3	141.78	152.55	+0.4	1.60	149.34	140.76	151.87	151.29	92.84	87.38
Belgium (63)	138.38	+0.5	129.68	139.06	−0.1	3.98	137.72	129.80	139.24	138.38	125.58	121.97
Canada (123)	148.03	+0.1	138.72	126.75	+0.0	3.19	147.90	139.40	126.75	153.59	124.67	118.09
Denmark (36)	195.98	+0.7	183.66	201.04	+0.0	1.58	194.53	183.35	200.95	219.89	165.35	129.48
Finland (26)	129.40	−0.1	121.26	119.11	−0.6	2.30	129.49	122.04	119.81	169.16	125.81	115.95
France (126)	133.45	+0.6	125.06	137.22	+0.1	2.75	132.64	125.02	137.12	133.45	112.57	96.40
West Germany (98)	99.12	+1.1	92.89	99.99	+0.6	2.04	98.02	92.39	99.42	100.53	79.58	78.99
Hong Kong (46)	110.71	+0.0	103.75	110.97	+0.0	5.02	110.70	104.33	110.97	140.33	86.41	100.30
Ireland (17)	153.82	+0.8	144.15	157.62	+0.1	2.81	152.54	143.77	157.52	166.69	125.00	129.15
Italy (97)	93.39	−0.2	87.52	97.59	−0.7	2.34	93.55	88.18	98.24	96.73	74.97	71.38
Japan (455)	179.67	+0.1	168.38	164.68	−0.3	0.48	179.42	169.11	165.13	200.11	164.22	156.71
Malaysia (36)	199.72	−0.1	187.17	207.30	−0.2	2.51	199.92	188.43	207.69	200.24	143.35	136.80
Mexico (13)	317.74	+1.5	297.78	896.99	+1.5	0.56	313.12	295.13	883.96	321.99	153.32	155.53
Netherland (43)	129.43	+0.4	121.30	129.16	−0.2	4.11	128.97	121.55	129.38	130.67	110.63	101.82
New Zealand (20)	83.83	+0.2	78.56	75.07	+0.1	4.77	83.66	78.85	75.03	88.18	62.64	70.61
Norway (24)	187.98	+0.7	176.16	180.64	+0.1	1.43	186.68	175.95	180.47	198.39	139.92	112.28
Singapore (26)	164.49	−0.4	154.15	150.01	−0.4	1.86	165.22	155.73	150.68	170.62	124.57	119.79
South Africa (60)	154.79	+0.0	145.07	136.16	+0.4	4.15	154.84	145.94	135.66	157.59	115.35	100.46
Spain (43)	162.07	+0.4	151.89	149.06	−0.1	3.45	161.44	152.16	149.15	162.07	143.14	135.96
Sweden (35)	177.07	+0.3	165.95	172.29	−0.2	1.99	176.55	166.40	172.69	188.94	138.45	120.44
Switzerland (64)	90.20	+0.3	84.53	94.01	−0.1	2.01	89.91	84.74	94.06	94.16	67.81	76.51
United Kingdom (306)	154.06	+0.9	144.38	144.38	+0.3	4.12	152.69	143.91	143.91	158.41	133.28	124.09
USA (548)	140.86	+0.0	132.01	140.86	+0.0	3.26	140.93	132.83	140.93	143.84	112.13	110.12
Europe (997)	130.25	+0.7	122.06	127.05	+0.2	3.27	129.33	121.90	126.85	132.62	112.63	102.94
Nordic (121)	165.34	+0.5	154.95	157.58	−0.1	1.81	164.58	155.10	157.77	178.38	137.95	112.04
Pacific Basin (670)	176.17	+0.1	165.10	161.43	−0.3	0.73	175.98	165.86	161.89	194.72	160.44	153.72
Euro – Pacific (1667)	157.94	+0.3	148.01	147.56	−0.1	1.58	157.45	148.40	147.76	166.98	141.56	133.43
North America (671)	141.19	+0.0	132.32	139.97	+0.0	3.28	141.24	133.12	140.03	144.24	112.79	110.53
Europe Ex. UK (691)	115.03	+0.6	107.80	116.32	+0.0	2.65	114.38	107.81	116.27	116.28	96.30	89.66
Pacific Ex. Japan (215)	134.01	−0.4	125.59	120.66	−0.4	4.60	134.49	126.76	121.18	137.65	111.93	117.61
World Ex. US (1863)	157.66	+0.3	147.76	146.99	−0.1	1.66	157.19	148.16	147.18	166.35	141.49	132.58
World Ex. UK (2105)	150.28	+0.1	140.83	144.92	−0.1	1.99	150.10	141.48	145.13	165.66	136.98	123.80
World Ex. So. Af. (2351)	150.57	+0.2	141.11	144.91	−0.1	2.17	150.29	141.66	145.06	155.92	136.67	123.95
World Ex. Japan (1956)	137.11	+0.2	128.49	134.94	+0.0	3.33	136.81	128.94	134.91	138.29	114.51	108.07
The World Index (2411)	150.60	+0.2	141.14	144.85	−0.1	2.18	150.32	141.68	144.99	155.89	136.68	123.81

Latest prices were unavailable for this edition.
Constituent change 21/9/89:Name change Sthn.Californ.Edison to Scecorp.(US).